

APG Annual Meeting 2010
Mutual Evaluation Progress Report



Chinese Taipei

Introduction

1. Recommendations and Special Recommendations rated PC and NC in the Mutual Evaluation Report

Core Recommendations¹ rated NC or PC	
R1, R5, R10, R13	PC
SRII, SRIV	NC
Key Recommendations² rated NC or PC	
R35, R40	PC
SRI, SRIII, SRV	NC
Other Recommendations rated NC or PC	
R2, R11, R18, R25, R33, R34, SRIX	PC
R6, R12, R16, R20, R21, R24,	NC

2. Summary of implementation strategy, approach and progress made since the adoption of MER/DAR at APG Annual Meeting, particularly over the past 12 months

The Money Laundering Control Act, the anti-money laundering law in Chinese Taipei, came into force in 1997. Since then, the authorities of Chinese Taipei have spent many efforts to develop an integrated AML/CFT regime. The major implemented strategies, approaches and progress are as follows:

- Amendment of MLCA: 1) to criminalize terrorist financing and oblige financial institutions to file STRs related to terrorist financing; 2) to clearly prescribe the Anti-Money Laundering Division, AMLD, is the central and national organization as the FIU of Chinese Taipei; 3) to oblige cross border passengers to declare carried cash and negotiable securities that exceeding a certain amount (USD \$10,000 in equivalence) to customs and the customs has to forward the declared reports to AMLD.
- Preventive obligations of financial institutions and supervision on AML/CFT: 1) to lower down the reporting threshold of CTR from NTD 1 million (about USD\$30,000) to NTD\$ 500,000 (about USD\$ 15,000) for meeting the international requirement; 2) to enhance CDD operation, internal control and audit, and ongoing monitoring mechanism on financial transactions; 3) to raise awareness of financial institutions' employees on AML/CFT for detecting abnormal financial transactions related to ML/FT and reporting STRs and CTRs to AMLD in time; 4) to enhance financial examination on AML/CFT.

¹ The core Recommendations as defined in the FATF procedures are R.1, SRII, R.5, R.10, R.13 and SRIV.

² The key Recommendations are R.3, R.4, R.26, R.23, R.35, R.36, R.40, SRI, SRIII, and SRV. Such recommendations are carefully reviewed when considering removal from the follow-up process.

- Law enforcement on ML/FT cases: law enforcement agencies in Chinese Taipei have set the investigations of ML/FT cases as working priority and the effectiveness is significant such as 23 ML cases being prosecuted in 2009. In addition, the capability building of law enforcement agents on investigating ML/FT cases is also a working priority. All agents in Investigation Bureau who are in charge of economic crime investigations are required to accept financial investigation training program and pass the middle-class certificate examination.
- International cooperation: 1) to actively participate in the related international organization activities such as the meetings and events held by APG, Egmont Group and FATF; 2) to sign bilateral MOU or Agreement for information exchange on AML/CFT, 15 MOUs and agreements have been completed up to now; 3) to exchange information on AML/CFT with foreign counterparts, the AMLD exchanged 66 pieces of ML/FT information with foreign counterparts including 39 pieces requested by foreign counterparts, 8 pieces requesting foreign counterparts to provide information, 17 pieces of spontaneous dissemination and 2 pieces of questionnaire and others in 2009.

It is the commitment of Chinese Taipei to comply with the international standards and requirements on AML/CFT. For achieving the goal, the authorities from legislation, law enforcement and financial supervision have worked together and closely cooperated with private sector for establishing an integrated AML/CFT regime in this jurisdiction. The progress has been approved by international community. However, Chinese Taipei recognizes the emerging trend of ML/FT and will continue to take this mission as a priority in the future.

PART 1(a): MEASURES TAKEN TO ADDRESS THE DEFICIENCIES/IMPLEMENT MER/DAR RECOMMENDATIONS IN RELATION TO THE 6 CORE FATF RECOMMENDATIONS

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations ³
R.1	PC	<ul style="list-style-type: none"> ● The ML offence lacks some of the elements outlined in Article 3(1)(b)(c) of the Vienna Convention and Article 6(1) of the Palermo Convention; ● The threshold for what is a serious offence is too high ● Predicate offence conviction required that a ML offence is proved ● Terrorism and terrorist financing are not predicate offences 	<ul style="list-style-type: none"> ● According to the new amended provisions of Money Laundering Control Act, MLCA, which was promulgated on June 10, 2009: <ul style="list-style-type: none"> ➤ The crime of “money-laundering” is defined as any person who—Knowingly disguises or conceals the property or property interests obtained from a serious crime committed by themselves or; Knowingly conceals, accepts, transports, stores, intentionally buys, or acts as a broker to manage the property or property interests obtained from a serious crime committed by others. (Article 2) ➤ The so called “serious offence” in the MLCA has been extended to cover the 5 years or more imprisonment offences and the listed crimes under 5 years imprisonment but seriously undermine the social security and financial market orders. ➤ The crimes prescribed in paragraph 3 of Article 11 of this Act (terrorist financing) are covered as predicate crimes of money laundering. ➤ Money laundering offence needs predicate offence as condition but no conviction required.
SR. II	NC	<ul style="list-style-type: none"> ● FT has not be criminalized 	<ul style="list-style-type: none"> ● According to the provision of new amended MLCA, any person who collects or provides property or property interests

³ Please clearly indicate when a particular action was taken when filling out the “Description of actions taken” section.

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations ³
			for himself or herself or others to commit any of the following crimes ⁴ , thereby intimidating the public or threatening the government, a foreign government or institution, or an international organization shall be imprisoned for not less than 1 year and not more than 7 years; in addition thereto, a fine of not more than NT 10 million dollars may be imposed. (Paragraph 3, Article 11). In other words, any person who finance himself, others or terrorism organizations to engage in terrorism activities shall be punished with imprisonment.
R. 5	PC	<ul style="list-style-type: none"> ● The threshold for occasional cash transactions that triggers CDD obligation (NT\$1 million, which is approximately US\$30,000) is too high. ● There is no explicit requirement for financial institutions to take reasonable measures to check if a customer is acting on behalf of another person and to identify the beneficial owner as part of the routine CDD procedure for all customers. ● The financial leasing sector is not covered by the AML/CFT regime ● Only the securities sector has explicit requirement to obtain information on the purpose and intended nature of the business relationship 	<ul style="list-style-type: none"> ● In response to recommendations from the APG mutual evaluation in 2007, the FSC issued the “Regulations Governing Cash Transactions Reports and Suspicious Transaction Reports by Financial Institutions” on 18 December 2008, which went into effect on 18 March 2009, after a comprehensive review of the existing regulatory regime governing cash transaction reports (CTRs) and suspicious transaction reports (STRs) by financial institutions. The major regulatory developments pertinent to CDD measures in the said Regulations are as follows: <ul style="list-style-type: none"> ➢ The threshold for occasional cash transactions that triggers CDD obligation and cash transaction reporting is lowered from NT\$1 million to NT\$ 500 thousand (approximately US\$15,000), which is in line with the threshold specified in the FATF Recommendations (i.e. USD/€15,000).

⁴ Offense of arson; Offense of damage to transports which are conveying people; Offense of damage to inhabited building with flood; Offense of damage to traffic safety; Offense of kidnapping aircraft or other transports; Offense of damage to aviation safety and facilities; Offense of blowing up explosive substances without appropriate reason; Offense of possessing explosive substances for committing crimes; Offense of illegally producing, transaction and trafficking nuclear devices and radioactive substances; Offense of leaking radioactive substances on purpose; Offense of illegally using radioactive substances to result in hurt or death; Offense of damage to infrastructure; Offense of polluting water resources with toxic materials; Offense of leakage of toxic substances; Offense of producing, transaction and display merchandise against hygiene; Offense of spreading disease against relating regulations; Offense of homicide; Offense of causing bodily harm; Offenses against personal liberty; Offenses of kidnapping for ransom; Offences of relating to manufacturing 、 selling 、 lending and transferring the major parts of arms.

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations ³
		<ul style="list-style-type: none"> ● The requirement to perform CDD when the previously obtained customer information is dubious is captured only by the Money Laundering Prevention Guidelines and Procedures for the banking sector, and there is no specific requirement for the securities and the insurance sectors. ● The obligation to verify customer identity using reliable information is captured only by the Money Laundering Prevention Guidelines and Procedures and is not clearly captured by a law or a regulation for the insurance sector. ● The obligation to check if a person purporting to act on behalf of a legal person is so authorized is not captured by a law or regulation for the banking sector and the insurance sector. ● There is neither legislation nor any guideline that specifically addresses the treatment of existing customers. 	<ul style="list-style-type: none"> ➤ Financial institutions are required to perform CDD and keep transaction records of large-value transactions even when they are exempt from cash transaction reporting. ● In accordance with the “Checklist of Money Laundering Prevention Guidelines for Banks”, revised by the Bankers Association and approved for recordation by the FSC on 18 March 2009, the purview of CDD measures should include reasonable measures to check if a customer is acting on behalf of another person and to identify the beneficial owner, inquiry of the purpose and intended nature of the business relationship, and due diligence of the existing customers. ● Following with the regulatory development in the said Regulations and Guidelines for banks, all related associations of other financial sectors, including securities industry and insurance industry have revised their respective Checklists of Money Laundering Prevention Guidelines.
R.10	PC	<ul style="list-style-type: none"> ● The requirement to keep transaction records under the MLCA is inadequate in the following areas: ● Financial institutions are not required to keep transaction records for any non-cash transactions; ● Financial institutions are not required to keep transaction records for cash transactions below NT\$1,000,000; ● Laws and regulations do not specifically require financial institutions to keep transactions records that would allow individual transactions to be reconstructed by the financial institutions for evidentiary purposes; 	<ul style="list-style-type: none"> ● Although the MLCA does not explicitly stipulate the record-keeping requirement to all financial transactions, financial institutions have been explicitly regulated to record all financial transactions under the Business Accounting Act and the relevant AML/CFT Regulations and Guidelines. The requirement of record-keeping has been effectively implemented in Chinese Taipei financial sector. ● According to Article 38 of the Business Accounting Act, all accounting documents, except those which should be permanently kept or which are related to unsettled accounting events, shall be kept for at least five years after the completion of annual closing procedures; all the accounting books and

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations ³
		<ul style="list-style-type: none"> ● Retention period exclude the requirement to keep transaction records for five years following the completion of a transaction; ● International transaction records are not captured under the current record-keeping regime; ● Financial institutions are not required to keep account files; ● Financial institutions are not required to keep business correspondences; ● Retention period exclude the requirement to keep customer records for five years following the termination of an account or business relationship. 	<p>financial statements shall be kept for at least ten years after the completion of annual closing procedures except for the unsettled accounting events. The responsible person representing a business, its managerial officers, in-charge accountants, and assistant accountants, or a person entrusted to handle the accounting affairs of another according to law involved in violation of the said Article shall be fined not less than NT\$60,000 and not more than NT\$300,000. It could be construed from the above that the said provisions have general applicability as to all kinds of transactions. As such, financial institutions are required to keep transaction records for all kinds of transactions, including cash, non-cash, international and domestic ones.</p> <ul style="list-style-type: none"> ● According to the AML/CFT Guidelines for financial sector in Chinese Taipei, financial institutions shall check and verify the identities of clients based on the ID card or passport provided by the clients and record the client’s name, birth date, address, phone number, transaction account code, amount of transaction, ID Card number. In the event that the transaction is conducted by an agent, in addition to the preceding paragraph, the teller shall identify the agent based on the ID certificates or passport provided by the agent, and record the agent’s name, birth date, address, phone number, transaction account code, amount of transaction and ID Card number. The verified records and transaction vouchers shall be archived for five years minimum in the original manner. The transaction records would allow financial institutions to reconstruct individual transaction for evidentiary purposes. ● In accordance with the “Regulations Governing Cash

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations ³
			<p>Transaction Reports and Suspicious Transaction Reports by Financial Institutions” issued by the FSC on 18 December 2008 and took effect on 18 March 2009, with respect to cash transactions above the threshold of NT\$500,000 (approximately USD\$15,000), financial institutions are required to keep the verification and transaction records for five years minimum in the original manner. As such, the regulatory regime of record keeping has been further enhanced.</p> <ul style="list-style-type: none"> ● The Central Bank issued an order on June 9, 2008 (Ref. No. 0970031813) to require financial institutions setting up risk management procedures beginning from July 6, 2008 for handling inward remittance that do not come with complete originator information. ● The Central Bank revised “Directions Governing Banking Enterprises for Operating Foreign Exchange Business” Article 4 on 4 September, 2009. Authorized banks and post offices under the Chunghwa Post Co. Ltd. shall abide by the following provisions when performing ordinary inward remittance business: In the event that the information (the full name, the account number and address of the originator) on the remitter of inward remittance from abroad is incomplete, a risk management procedure shall be established.
R. 13	PC	<ul style="list-style-type: none"> ● There is an absence in law that requires a financial institution to report attempted transactions that are suspicious in nature. 	<ul style="list-style-type: none"> ● According to the provision of new amended MLCA, for any financial transaction suspected of committing a crime prescribed in Article 11 herein, the financial institutions referred to in this Act shall ascertain the identity of the customer and keep the transaction record as evidence, and

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations ³
			<p>report the suspect financial transaction to the Investigation Bureau. The preceding provision applies even if the transaction is not completed. (Paragraph 1, Article 8)</p> <ul style="list-style-type: none"> ● Pursuant to the “Regulations Governing Cash Transaction Reports and Suspicious Transaction Reports by Financial Institutions”, issued on 18 December 2008 and took effect on 18 March 2009, and the “Checklist of Money Laundering Prevention Guidelines for Banks”, revised by the Bankers Association and approved for recordation by the FSC on 18 March 2009 and 9 October 2009, the regulatory purview of suspicious transaction reporting is further enhanced as follows: <ul style="list-style-type: none"> ➤ Financial institutions are required to file STRs on attempted transactions and transactions that are suspicious in nature, irrespective of the amount. ➤ With reference to the experiences and comments from on-site financial examiners, the FSC has amended the relevant regulation to enhance the indicators of suspicious money laundering transactions. ● In accordance with the regulatory development in the said Regulations and Guidelines for banks, all related associations have revised their Checklists of Money Laundering Prevention Guidelines respectively.
SR. IV	NC	<ul style="list-style-type: none"> ● The requirements to report suspicious transaction for terrorist financing under the MLCA Regulations and AML guidelines fall short of the requirements under SR.IV. ● Financing of terrorism is not covered as a serious offence as FT is not yet criminalized in Chinese Taipei. ● Shortcomings and deficiencies identified in R.13 	<ul style="list-style-type: none"> ● According to the provision of new amended MLCA, for any financial transaction suspected of committing a crime prescribed in Article 11 (including ML/FT) herein, the financial institutions referred to in this Act shall ascertain the identity of the customer and keep the transaction record as evidence, and report the suspect financial transaction to the Investigation Bureau. The preceding provision applies even if

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations ³
		also apply and contribute to the assessment and level of compliance rating of SR.IV.	<p>the transaction is not completed. (Paragraph 1, Article 8)</p> <ul style="list-style-type: none"> ● According to the provision of new amended Subparagraph 18, Article 3 of the MLCA, crimes prescribed in paragraph 3 of Article 11 of this Act (terrorist financing) are covered as serious offences of money laundering predicate crimes. ● Pursuant to the “Regulations Governing Cash Transaction Reports and Suspicious Transaction Reports by Financial Institutions”, issued on 18 December 2008 and took effect in 18 March 2009, the regulatory purview of suspicious transaction reporting is further revised. Financial institutions are required to file STRs on attempted transactions and transactions that are suspicious in nature, irrespective of the amount. In accordance with the regulatory development in the said Regulations, all related trade associations have revised their respective Checklists of Money Laundering Prevention Guidelines.

PART 1(b): MEASURES TAKEN TO ADDRESS THE DEFICIENCIES/IMPLEMENT MER/DAR RECOMMENDATIONS IN RELATION TO THE 10 KEY FATF RECOMMENDATIONS

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations
R.3	LC	<ul style="list-style-type: none"> ● No definition of “property” or “property interests” in the MLCA to ensure that offence of ML extends to all types of property ● Unclear whether instrumentalities used or intended to be used can be confiscated if 	<ul style="list-style-type: none"> ● According to the provision of Article 4 of the MLCA, the “property or property interests obtained from the commission of a crime” means: the property or property interests obtained directly from the commission of a crime; the remuneration obtained from the commission of a crime and the property or property interests derived from the above two

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations
		they are under the name of a third party given the provisions of Article 38 of the Criminal Code	<p>subsections. Actually, the definition of “property” or “property interests” in the MLCA already covers all type of property and interests including tangible and intangible obtained from the commission of ML/FT offences.</p> <ul style="list-style-type: none"> ● The Ministry of Justice organized a laws and decrees amendment researching task force for establishing a comprehensive seizure and confiscation regime to the proceeds of crime in February 2009. The task force is drafting the amendment of related provisions in the Criminal Code including Article 38 which precisely regulates the scope of proceeds of crime that may be confiscated including “property” and “property interests” and extends confiscation scope to the proceeds of crime held by third parties with evil intention, and adding one new provision in Paragraph 3 of Article 40 which regulates proceeds of crime may be solely declared to subject to confiscation with no conviction by court.
R.4	C	<ul style="list-style-type: none"> ● The recommendation is fully observed 	
R.23	LC	<ul style="list-style-type: none"> ● Insurance agents and brokers are exempted from the current AML/CFT requirements. ● The authorities have only recently extended the AML/CFT requirements to the money changing services sector and its effectiveness could not be established. 	<ul style="list-style-type: none"> ● The Insurance Bureau of FSC has required Insurance Agents Association and Insurance Brokers Association to establish AML/CFT guideline for the operational businesses. ● The Central Bank already considered the risk of AML/CFT in Foreign Currency Exchange Bureaus (FCEB) very seriously. The Regulations Governing the Establishment and Administration of Foreign Currency Exchange Bureaus, includes the amount of each transaction, ascertaining the identity of the customer, keeping the transaction record as evidence, and reporting any financial transactions suspected of money laundering to AMLD.

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations
			<ul style="list-style-type: none"> ● Based on the Regulations Governing the Establishment and Administration of Foreign Currency Exchange Bureaus, amended on Jan. 25, 2007, the Bank has already carried out 188 examinations on exchange bureaus, including 46 examinations in 2009. So far, we haven't found any bureau that violates the Money Laundering Control Act.
R. 26	C	<ul style="list-style-type: none"> ● This recommendation is fully observed 	
R. 35	PC	<ul style="list-style-type: none"> ● Chinese Taipei has not become party to the Vienna, Palermo or Terrorist Financing conventions ● Chinese Taipei has not fully implemented the Vienna and Palermo conventions ● Chinese Taipei has not implemented the terrorist financing convention 	<ul style="list-style-type: none"> ● Chinese Taipei would like to highlight the fact that, although its efforts to sign, ratify and accede to the UN conventions have been denied*, it has started the process for ratifying related conventions through the passage of domestic legislation. For example, Chinese Taipei launched a thorough review of its domestic laws with respect to the United Nations Convention against Corruption. We aim to implement this convention in full and look into other conventions for possible ratification. Moreover, Chinese Taipei has consistently endeavored to combat money laundering and financing terrorism through signing bilateral agreements or memorandums of understanding as part of the measures to strengthen the efforts. (*Chinese Taipei cannot sign or accede to the Vienna, Palermo and Terrorist Financing Conventions because the UN does not recognize Chinese Taipei as a state.) ● Chinese Taipei has introduced and amended legislation to fully implement the provisions of these conventions and has taken the initiative to sign related bilateral agreements or MOUs, in order to enforce the principles laid out by such conventions. ● The new amendment of MLCA has incorporated related laws

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations
			<p>to fully implement the related provisions of international conventions, including the Vienna, Palermo and Terrorist Financing conventions and resolutions.</p> <ul style="list-style-type: none"> ● The Ministry of Justice referred the provisions of Vienna Convention and Palermo Convention to draft the amendments of confiscating proceeds of crime provisions in the Criminal Code, including: 1) the essential conditions for the objects that subject to confiscation and the rights of bona fide third parties (amendment of Article 38); 2) confiscation of substitute assets (new provision in Article 38-1); 3) confiscation without a criminal conviction (amendment of Article 40).
R.36	LC	<ul style="list-style-type: none"> ● For jurisdictions with no MLAA with Chinese Taipei, that jurisdiction can only receive MLA through court order or letters of rogatory 	<ul style="list-style-type: none"> ● The judicial authorities have jointly completed the amendment draft of the “Law Supporting Foreign Courts on Consigned Cases” which will be changed to the title of “the Consigned Cases Act between Local Courts and Foreign Courts”. The clauses of the Act will be substantially increased from 9 Articles to 21 Articles and some of them will be applicable to prosecution authorities. It will provide the legal bases for judicial authorities to engage in international mutual legal assistance. ● The Ministry of Justice began to draft new legislation of the “Mutual Assistance Act for Criminal Justice” in January of 2010. In the draft legislation, mutual legal assistance request doesn’t need to initiate judicial proceedings as precondition in requesting jurisdiction.
R.40	PC	<ul style="list-style-type: none"> ● It is recommended that Chinese Taipei introduce legislation pertaining to the respective competent authorities other than the MLPC, that – <ul style="list-style-type: none"> ➢ authorizes the competent authority to exchange 	<ul style="list-style-type: none"> ● In 2009, the FSC signed or confirmed MOUs, EOLs, or side letters for cooperation in single -sector or cross-sector supervision with California State of the U.S., Hong Kong,

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations
		<p>information and conduct enquiries on behalf of foreign counterparts on a reciprocal basis;</p> <ul style="list-style-type: none"> ➤ identifies the information that can be requested and establishes controls and safeguards to ensure that information received by those competent authorities is used only in an authorized manner. 	<p>Belgium, Ireland and China. In furtherance of the cross-border supervisory cooperation and information exchange in the insurance sector, the FSC became signatory to the IAIS Multilateral Memorandum of Understanding (MMOU).</p> <ul style="list-style-type: none"> ● For the exchange of information between its law enforcement agencies and their foreign counterparts to combat money laundering and terrorist financing. Chinese Taipei signed MOU with Netherlands Antilles in 2009 to establish cooperation on AML/CFT. ● The Investigation Bureau and Criminal Investigation Bureau respectively assign legal liaisons to other jurisdiction for enhancing international cooperation on criminal investigation and information exchange.
SR.1	NC	<ul style="list-style-type: none"> ● Chinese Taipei has not implemented or become a party to the Terrorist Financing convention ● Chinese Taipei lacks effective laws and procedures to implement UNSCR 1267 and 1373. 	<ul style="list-style-type: none"> ● The new amendment of MLCA has incorporated related laws to fully implement the related provisions of international conventions, including the Vienna, Palermo and Terrorist Financing conventions and resolutions. (*Chinese Taipei cannot sign or accede to the Vienna, Palermo and Terrorist Financing Conventions because the UN does not recognize Chinese Taipei as a state.) ● The amendments to the Foreign Exchange Control Act and the Offshore Banking Act on April 29, 2009 have implemented the requirements of the UNSCR 1267 and 1373 on combating the financing of terrorism.
SR. III	NC	<ul style="list-style-type: none"> ● Chinese Taipei lacks effective laws and procedures to freeze terrorist funds or other assets of entities designated by the UN 1267 Committee or to freeze terrorist assets of persons designated in the context of UN 	<ul style="list-style-type: none"> ● According to the provisions of the new amended MLCA, Article 9, whenever the prosecutor obtains sufficient evidence to prove that the offender has committed a crime prescribed in Article 11 (stipulating ML/FT offences) herein by transporting, transmitting, or transferring a monetary

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations
		SCR 1373.	<p>instrument or funds through bank deposit, wire transfer, currency exchange or other means of payment, the prosecutor may request the court to order the financial institution to freeze that specific money laundering transaction to prevent withdrawal, transfer, payment, delivery, assignment or make other necessary disposition of the involved funds for a period not more than 6 months.</p> <ul style="list-style-type: none"> ● The property or property interests obtained from the commission of a crime by an offender violating the provisions set forth in Article 11 of the MLCA, other than that which should be returned to the injured party or a third party, shall be confiscated, regardless of whether the property or property interests belong to the offender or not. Whenever the above property or property interests can not be confiscated in whole or in part, the value thereof shall be indemnified either by demanding a payment from the offender or by offsetting such value with the property of the offender. ● The amendments to Foreign Exchange Control Act and Offshore Banking Act on April 29, 2009 which provide a legal basis and prescribe relevant procedures for the competent authorities to enforce effective measures by freezing funds suspected of being controlled by terrorists. The provisions are as follows: <ul style="list-style-type: none"> ➤ In response to UN Resolutions and the needs of international cooperation, the Financial Supervisory Commission (FSC) may, in conjunction with the Central Bank, after submitting to the Executive Yuan for approval, issue orders to specified banks to block

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/ implement MER/DAR recommendations
			<p>the withdrawal, transfer, payment, or disbursement in, or otherwise take necessary measures against, accounts held by individuals, entities or institutions of certain countries or regions that are suspected of directly or indirectly using the accounts, money transfers, currencies or other instruments of payment to finance terrorism or terrorist organizations, or engage in activities threatening international security .</p> <ul style="list-style-type: none"> ➤ The FSC shall make public the above measures and deliver the same to the Legislative Yuan for approval within ten days after being public. ➤ The measures shall become immediately void if the Legislative Yuan votes against.
SR.V	NC	<ul style="list-style-type: none"> ● FT and other terrorism offences have not been criminalized 	<ul style="list-style-type: none"> ● FT and other terrorism offences have been criminalized in the new amended MLCA. ● According to the provisions of the Act, Article 16, the government of Chinese Taipei may sign cooperation treaties or other international written agreements relating to the prevention of money laundering activities with foreign governments, institutions or international organizations based on the principle of reciprocity to effectively prevent international money laundering and terrorist financing activities. With regard to the request for assistance by foreign governments, institutions or international organizations, unless otherwise stipulated in the applicable treaties or agreements, the disclosed information on ML/FT and its investigation result may be provided based on the principle of reciprocity.

PART 2: MEASURES TAKEN TO ADDRESS THE DEFICIENCIES/IMPLEMENT MER/DAR RECOMMENDATIONS IN RELATION TO OTHER FATF RECOMMENDATIONS RATED AS NC OR PC

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
R2 - ML offence – mental element and corporate liability	PC	<ul style="list-style-type: none"> ● The law does not permit the intentional element of the offence of ML to be inferred from objective factual circumstances ● The penalty provisions legally set out circumstances that could be used as “safe harbours” from prosecution which undermines the otherwise clear liability of corporations and their employees 	<ul style="list-style-type: none"> ● Although no special provision in the MLCA to speculate the offence of ML can be inferred from objective factual circumstance, the MLCA is a special criminal law and the subjective factors consisting of a crime must be in accordance with the general regulations in the Criminal Code which has defined the subjectively deliberate intention including uncertainly deliberate intention. Criminal justice authorities can infer objective factual circumstances to prosecute and convict the accused with the offence of money laundering even though the accused denied committing the crime. ● The current MLCA in force has specified the punishment provisions of ML offences regarding to the responsible persons and their employee. They have no difference facing the punishment of ML offence which also can be inferred from objective factual circumstances. Thus, the penalty provisions in the current MLCA are unlikely to be used as “safe harbours” from prosecution.
R6 - Politically exposed persons	NC	<ul style="list-style-type: none"> ● There is no specific legislation or guideline that requires financial institutions to have appropriate risk management procedures for PEPs 	<ul style="list-style-type: none"> ● The “Checklist of Money Laundering Prevention Guidelines for Banks”, revised by the Bankers Association and approved for recordation by the FSC on 9 October 2009, has explicitly provided for money laundering prevention measures governing politically exposed persons (PEPs). Under the said Guidelines, banks are required to check whether customers are PEPs by way of the database,

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
			<p>established either by the Joint Credit Information Centre or by banks themselves. If any PEP is identified, banks should take appropriate measures and conduct regular reviews on the account concerned.</p> <ul style="list-style-type: none"> ● In furtherance of the legal compliance and implementation of the PEPs measures, the FSC has encouraged the Bankers Association to coordinate with the Joint Credit Information Centre to establish a database of PEPs. ● In accordance with the regulatory development in the said Guidelines for banks, all related associations have revised their Checklists of Money Laundering Prevention Guidelines respectively to introduce the PEPs measures.
R11 - Unusual transactions	PC	<ul style="list-style-type: none"> ● With the exception of banking sector there are no specific obligations on financial institutions to monitor and keep record of complex, unusual large transactions, or unusual patterns of transactions, that have no apparent or visible economic or lawful purpose ● Requirements for the banks are only very recent and implementation and its effectiveness could not be fully determined. ● Other sectors have adopted a common and more general approach to monitoring of transactions that is intended to complement their suspicious transactions reporting framework. This approach falls short of the 	<ul style="list-style-type: none"> ● According to the regulations of the “Checklist of Money Laundering Prevention Guidelines for Banks”, which was revised by the Bankers Association approved for recordation by the FSC, banks shall exercise extraordinary diligence over complicated transactions, transactions of huge amounts or unusual transactions which are done without economic or legal purpose. Banks shall, as far as possible, look into the backgrounds and motivation behind the aforementioned transactions and shall set up documented data on all findings. The documented data shall be archived for at least five years. ● After the 2nd ME in 2007, the various financial industries have separately adopted different Checklist of Money Laundering Prevention Guidelines according to their specific business characters and indicators of suspicious financial transactions for meeting the requirements of FATF.

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		requirements of FATF.	
R12 - DNFBP – R.5, 6, 8-11	NC	<ul style="list-style-type: none"> ● Dealers in precious metal and stones are the only category of the DNFBP sector covered under MLCA Act. ● There are currently no specific AML requirements that could be imposed on lawyers, notaries, real estate agents, accountants, trust and company services providers and businesses. ● The scope of CDD and record-keeping for all covered financial institutions including the dealers in precious metals and stones is applied for cash transactions above NT\$1,000,000 or US\$31,000. This amount falls short of the US/€ 15,000 threshold set under the FATF methodology. ● The obligations of dealers in precious metal and stones falls substantially short of the requirements of Recommendations 5, 6, 8-11, & 17. Due to the exclusion of other categories of DNFBPs, these requirements are also not imposed on them. ● There are concerns on capacity of competent authorities to ensure and enforce full compliance with the FATF requirements for all categories of the DNFBP sector, including dealers in precious metal and stones. 	<ul style="list-style-type: none"> ● Real estate broking agencies, brokers and land administration agents shall oblige the responsibilities to prevent money laundering during business operation, any violation of laws and regulations, including the “Real Estate Broking Management” and the “Land Administration Act”, may cause a warning from supervisory authority or be referred to law enforcement agencies for further investigation. ● The Ministry of Economic Affairs is drafting the “Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Dealers in Precious Metal and Stones”. ● The Ministry of Justice proposed the bar association to include the AML/CFT requirements into their ethics code. The association took reference to the provisions of American Bar Association’s (ABA) Model Rules of Professional Conduct and add the content “in order to avoid or alleviate a client’s intention to commit a crime in the future or to deteriorate the crime he has completed that may cause huge losses to the property of a third party, the attorney may exceptionally skimp the obligation for keeping secret” into the Paragraph 2 of Article 33 of the ethics code on September 19, 2009. ● Although CPAs are currently not covered in MLCA, relevant laws and regulations have already prescribed CPAs’ duties regarding customer due diligence, record keeping, and legal compliance. Since 2009, The FSC started to strengthen the

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
			oversight and business examination to public CPA firms in accordance with the Article 19 of the Certified Public Accountant Act. To be in line with the international legislative development on AML/CFT, the FSC will access the necessity to oblige the responsibilities on AML/CFT to CPAs under the MLCA.
R16- DNFBP – R.13-15 & 21	NC	<ul style="list-style-type: none"> ● Dealers in precious metal and stones are the only DNFBP sector that is required to report suspicious transactions, however, the effectiveness is in doubt due to lack of any STR being made to date. ● The underlying reason for lack of reporting of STRS by the dealers in precious metal and stones is largely correlated with the lower threshold for CDD and other AML requirements. ● There are currently no specific STR reporting obligations that could be imposed on lawyers, notaries, real estate agents, accountants, trust and company services providers and businesses. ● Concerns were noted from some category of DNFbps who reported lack of consultation, awareness and guidance on the wider need for implementing and complying with FATF recommendations. 	<ul style="list-style-type: none"> ● The Ministry of Economic Affairs revised the STR and CTR reporting forms for dealers in precious metal and stones in May 2009 that will be more suitable and convenient for the business entrepreneurs to timely report STR and CTR. The forms can be accessed from the official website of http://gcis.nat.gov.tw/welcome.jsp. The Ministry also organized a workshop on AML/CFT for dealers in precious metal and stones on September 21, 2009 which had 88 participants from the industry and conducted 20 business examinations on AML/CFT to business entrepreneurs in 2009.
R18 - Shell banks	PC	<ul style="list-style-type: none"> ● Laws do not explicitly prohibit establishment of shell banks, however, the licensing requirements and policies under the Banking 	<ul style="list-style-type: none"> ● According to the “Checklist of Money Laundering Prevention Guidelines for Banks”, which was revised by the Bankers Association and approved for recordation by the FSC , it is

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		<p>Act indirectly preclude the licensing of a shell bank in Chinese Taipei.</p> <ul style="list-style-type: none"> Chinese Taipei does not have a prohibition against its banks establishing correspondent banking relationships with shell banks, or serving as a correspondent bank for any foreign institution that permits its accounts to be used by shell banks. 	<p>prohibited from establishing the correspondent relationship with any shell banks or any foreign financial organizations permitting any shell banks to use their account.</p>
R20 - Other NFBP & secure transaction techniques	NC	<ul style="list-style-type: none"> No indication that serious consideration has been given to the possibility of bringing other nonfinancial professions and businesses into the scope of the AML/CFT regime. 	<ul style="list-style-type: none"> The AMLD keeps attention to the ML/FT threats on private sectors, including financial industries, DNFBPs and other DNFBPs, and would suggest supervisory authorities to consider including the businesses and entities into AML/CFT regime if it is necessary. The related studies and essays can be found in the MLPC annual report. The Ministry of Justice ever organized two cross department coordinating forums on AML/CFT which respectively held in October 2007 and February 2008. In the two forums, the representatives from authorities reached a consensus to bring the other NFBP into the scope of the AML/CFT regime depending on the individual risk of ML/FT threats consideration.
R21 - Special attention for higher risk countries	NC	<ul style="list-style-type: none"> No obligation on financial institutions to give special attention to business relationships and transaction from or in jurisdictions that do not or insufficiently apply the FATF Recommendations. Authorities do not have measures in place to 	<ul style="list-style-type: none"> According to the “Regulations Governing Cash Transaction Reports and Suspicious Transaction Reports by Financial Institutions”, where remittances are from a country or region that is designated by international organizations on anti-money laundering and combating the financing of terrorism (AML/CFT) as a country or region with serious deficiencies

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		<p>advise financial institution of concerns about weaknesses in the AML/CFT systems of other jurisdictions.</p> <ul style="list-style-type: none"> The existing Regulations that addresses transactions from an NCCT listed jurisdiction is too narrow and in the absence of an FATF list, this section of the regulation is not applicable at present. 	<p>in its AML/CFT regime, and other countries or regions that do not or insufficiently comply with the recommendations of international organizations on AML/CFT as forwarded by the FSC/BOAF and such transactions do not appear to be commensurate with the customer's status and income or is unrelated to the nature of the customer's business, the transactions should be deemed as suspicious money laundering activities (including cash and transfer transactions) and a financial institution shall file a STR thereof with the FIU</p> <ul style="list-style-type: none"> Pursuant to the FATF public statement of 18 February 2010, Chinese Taipei has taken actions to require financial institutions to enhance customer due diligence, access transaction risk and report any suspicious transaction to the AMLD related to FATF list. On March 19, 2010, Life and non-life associations have respectively revised their Checklists of Money Laundering Prevention Guidelines following the provisions of the "Regulations Governing Cash Transactions Reports and Suspicious Transaction Reports by Financial Institutions", including to lower the CRT reporting threshold from NTD \$1,000,000 to NTD \$500,000. According to the guidelines, financial institutions are required to pay special attention to transactions from jurisdictions that do not or insufficiently apply the FATF recommendations instead of the NCCT listed jurisdictions, and to file STRS thereof.
R24 - DNFBP regulation, supervision and	NC	<ul style="list-style-type: none"> While casinos are prohibited in Chinese Taipei, authorities may consider providing 	<ul style="list-style-type: none"> The Criminal Investigation Bureau planned and executed the project for police authorities' raid action against gambling to

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
monitoring		<p>more severe penalties for the offenders.</p> <ul style="list-style-type: none"> ● The jewellery sector is not fully covered under the current framework. ● The interim measures for monitoring the real estate sector falls short of the essential criteria in many ways. ● Chinese Taipei's AML/CFT regulatory regime does not cover lawyers and accountants sector. 	<p>crack down the criminal activities in professional casinos, on-line gambling and six-number lottery gambling. The CIB also took a large scale of law enforcement actions from January to April in 2010 to probe illegal gambling, including gambling houses, internet gambling and illegal jackpot lotteries. There were 53 gambling houses (877 suspects), 88 sport gambling (153 suspects) ,77 internet gambling (158suspects) and 1350 illegal jackpot lotteries (1671 suspects) being tracked down in the law enforcement actions.</p> <ul style="list-style-type: none"> ● The "Sports Lottery Issuance Regulation" has come into force since January 1, 2010. It sets penalties for illegal interfering with the bidden sports competition to curb such practice effectively. ● The Ministry of Justice proposed the bar association to include the AML/CFT requirements into their ethics code. The association took reference to the provisions of American Bar Association's (ABA) Model Rules of Professional Conduct and add the content "in order to avoid or alleviate a client's intention to commit a crime in the future or to deteriorate the crime he has completed that may cause huge losses to the property of a third party, the attorney may exceptionally skip the obligation for keeping secret" into the Paragraph 2 of Article 33 of the ethics code on September 19, 2009.
R25 - Guidelines & Feedback	PC	<ul style="list-style-type: none"> ● The approach taken to establishing guidelines under the MLCA is not clear and shifts the obligation to issue guidelines to financial institutions. The competent authorities are 	<ul style="list-style-type: none"> ● The AMLD respectively provided the statistics to reporting financial institutions regarding the receipt of STRs and the processing results every half year at this stage and is planning to shorten the period even online enquiry in the

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		<p>required to merely “review” the guidelines and procedures.</p> <ul style="list-style-type: none"> ● Guidelines are not detailed to adequately capture requirements specific to each industry. ● MLPC does not provide feedback on or acknowledgement of the receipt of STRs and STR cases that have been completed. ● The authorities are yet to undertake consultation on the issuance of regulatory guidelines for lawyers, accountants and the real estate agents. 	<p>future.</p> <ul style="list-style-type: none"> ● The AMLD issued a Suspicious Transaction Reporting Guideline for Banks in April 2010 and this guidance has been circulated to banks through the banker’s association in May 2010. ● The AMLD is planning to establish a dedicated secure communication platform on computer website. Once the communication platform is completed, financial institution can file CTRs and STRs through the secure web and access the processing progress of STRs being handled by the AMLD. The AMLD also can announce important message on AML/CFT through the platform.
R33 - Legal persons – beneficial owners	PC	<ul style="list-style-type: none"> ● There is no obligation to maintain and make available beneficial ownership information for legal persons 	<ul style="list-style-type: none"> ● The information of all company’s registration has been posted to the Business & Industry official website “http://gcis.nat.gov.tw/welcome.jsp” which opening to public for protecting the transparency of transaction.
R34 - Legal arrangements – beneficial owners	PC	<ul style="list-style-type: none"> ● Competent authorities have only limited powers to have timely access to information on the beneficial ownership and control of trusts. 	<ul style="list-style-type: none"> ● According to the regulations of the Trust Law, All trusts other than business trusts and charitable trusts shall be executed under the supervision of the court. Upon application of interested parties or prosecutors, the court may inspect the trust affairs administered as well as appoint and order an inspector to take any necessary official actions (Article 60). A trustee guilty of disobeying a court order or obstructing the court inspection shall be imposed a fine ranging from NT\$ 10,000 to NT\$ 100,000 (Article 61). A charitable trust shall operate under the supervision of the industry's regulatory authority. The industry's regulatory

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
			<p>authority may at any time and from time to time inspect the business and financial conditions of the trust. If necessary, the authority may order the trustee to provide appropriate security or take other actions. A trustee shall at least once every year deliver the statement of both the business and financial conditions of the trust to the supervisor for review and approval and shall then file the same with the competent authority for approval and records before a public notice is placed (Article 72).</p>
<p>SRIX - Cash Couriers</p>	<p>PC</p>	<ul style="list-style-type: none"> ● There is a lack of resources available to the Customs Service to enforce the declaration which appears to be undermining its effectiveness. ● There is a deficiency in the sanctions available for non-compliance with the declaration system. ● There is a lack of implementation of a specific sanction for the smuggling of cash 	<ul style="list-style-type: none"> ● The Customs has recruited new members in recent years, so the issue of staff insufficiency has been gradually improved and provides a platform for the senior officers to pass down their experience, techniques of information analysis and enforcement to junior colleagues as a kind of on-the-job training for enhancing the Customs officers' capability on practical operation. ● According to the provisions of Regulations for the Declaration of Carrying Foreign Currencies or Securities by Cross-Border Passengers or Service Crew on Board of Transport and for the Interagency Report by the Customs, A passenger or a service crew member arriving into or departing from the country on a flight within the same day, holding the following objects in his/her possession, shall be required to declare said object with Customs authorities as provided in these Regulations. Thereafter, the Customs shall forward the said customs declaration to the AMLD pursuant to these Regulations. <ol style="list-style-type: none"> 1. Cash in foreign currency bearing a total value more than Ten Thousand US Dollars (US\$10,000).

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
			<p>2. Securities bearing a total face value more than Ten Thousand US Dollars (US\$10,000).</p> <ul style="list-style-type: none"> ● The Customs prints leaflets and puts them in the arrival/departure lounge of each airport and seaport for promoting passengers or service crew to voluntarily declare cross border carrying significant currency and negotiable securities with Customs. In addition, the leaflets are distributed to travel agencies, airlines for circulation. ● Customs forwards the declared reports to the AMLD every 10 days for most updated information. In 2009, there were 2,750 pieces of inbound ICTRs and 3,959 pieces of outbound ICTRs, 6,709 pieces of ICTRs in total and the amount of value was NTD\$ 7,599,353,587. ● In 2008, the Customs detected 5 cases of failing declaration cross border cash movement which amounted to USD\$ 448,000 in equivalence and confiscated USD\$ 398,000 in equivalence. In 2009, the Customs detected 60 cases which amounted to USD\$ 603,000 in equivalence and confiscated USD\$ 543,000 in equivalence. ● From August 3 to 13, 2009, the Customs, CBP and ICE co-hosted the “Workshop on the Interdiction and Investigation of Cross Border Bulk Cash Smuggling” in Taipei for raising awareness of frontline Customs and law enforcement agents from authorities to detect and investigate the related criminal activities and the second phrase workshop is slated to be held by Customs of Chinese Taipei and ICE and CBP in August 2010.

PART 3: ANY OTHER MEASURES TAKEN TO ADDRESS THE DEFICIENCIES/IMPLEMENT MER/DAR RECOMMENDATIONS, INCLUDING IN RELATION TO OTHER FATF RECOMMENDATIONS RATED AS LC

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
R3 - Confiscation and provisional measures	LC	<ul style="list-style-type: none"> ● No definition of “property” or “property interests” in the MLCA to ensure that offence of ML extends to all types of property ● Unclear whether instrumentalities used or intended to be used can be confiscated if they are under the name of a third party given the provisions of Article 38 of the Criminal Code 	<ul style="list-style-type: none"> ● The concept of so called “property” or “property interests” in the MLCA is derived from the Criminal Code which has precisely defined the so called “property” or “property interests” and its scope. The related provisions can be introduced in practical operation of justice. ● The Ministry of Justice organized a laws and decrees amendment researching task force for establishing a comprehensive seizure and confiscation regime to the proceeds of crime in February 2009. The task force is drafting the amendment of related provisions in the Criminal Code including Article 38 which precisely regulates the scope of proceeds of crime that may be confiscated including “property” and “property interests” and extends confiscation scope to the proceeds of crime held by third parties with evil intention, and adding one new provision in Paragraph 3 of Article 40 which regulates proceeds of crime may be solely declared to subject to confiscation with no conviction by court.
R7 - Correspondent banking	LC	<ul style="list-style-type: none"> ● Guidelines were introduced only two months before the Evaluation Team’s onsite visit, and therefore, it is too early to form a judgment on the effectiveness or the implementation of the Guidelines. 	<ul style="list-style-type: none"> ● According to the “Checklist of Money Laundering Prevention Guidelines for Banks”, which was revised by the Bankers Association and approved for recordation by the FSC, banks should adopt specified policies and procedures, including at least the following: <ol style="list-style-type: none"> 1. Gather sufficient information about a respondent institution to understand fully the nature of the respondent’s business and to determine from publicly available information the reputation of the institution and the quality of supervision, including whether it has been subject to a money laundering or terrorist financing investigation or regulatory action.

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
			<ol style="list-style-type: none"> 2. Assess the respondent institution’s AML/CFT controls, and ascertain that they are adequate and effective. 3. The Bank should obtain approval from senior management before establishing new correspondent relationships. 4. Document the respective AML/CFT responsibilities of each institution. 5. Where a correspondent relationship involves the maintenance of “payable-through accounts”, it is necessary to identify the correspondent bank has strictly identified the customers’ identity and provide the relevant information about the identification if necessary. 6. Prohibited from establishing the correspondent relationship with any shell banks or any foreign financial organizations permitting any shell banks to use their account.
R8 - New technologies & non face-to-face business	LC	<ul style="list-style-type: none"> ● Banks lack effective measures to monitor all individual transactions conducted electronically. 	<ul style="list-style-type: none"> ● According to the regulations of the “Checklist of Money Laundering Prevention Guidelines for Banks”, which was revised by the Bankers Association and approved for recordation by the FSC, for clients who are in “non face-to-face” transaction, tellers shall conduct the procedures of the same effect to verify clients and shall, meanwhile, take extraordinary and adequate measures so as to minimize risks.
R15 - Internal controls, compliance & audit	LC	<ul style="list-style-type: none"> ● The requirements imposed under the AML checklist for the securities sector falls short of meeting the requirement on independent audit function. 	<ul style="list-style-type: none"> ● According to the Money Laundering Prevention Guidelines for insurance companies revised by the Bankers Association and approved for recordation by the FSC on March 18, 2009, internal control, auditing and compliance systems for banks

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		<ul style="list-style-type: none"> ● Financial institutions are not specifically required under the regulations, guidelines and checklist to allow the AML compliance officer timely access to customer and transaction records. 	<ul style="list-style-type: none"> ● have been further enhanced. Banks are required to allow the AML officers, compliance officers and auditors timely access to customer and transaction records when carrying out their duties. ● In accordance with the regulatory development in the said Guidelines for banks, all related associations have revised their Checklists of Money Laundering Prevention Guidelines respectively to strengthen their internal control and auditing systems.
R17 - Sanctions	LC	<ul style="list-style-type: none"> ● The type and nature of sanctions actually imposed to date by the FSC is inadequate in view of the many AML/CFT non-compliance findings for the banking sector. ● The authorities have not adequately reviewed the appropriateness of sanctions in light of the large number of warnings issued to financial institutions for AML/CFT non-compliance. 	<ul style="list-style-type: none"> ● From January 2009 to May 2010, the FSC has adopted the following sanctions against financial institutions for AML/CFT violations: <ul style="list-style-type: none"> ➤ For the banking sector, the FSC has issued 6 fine tickets (3 cases for violation of STR obligations while 3 case for violation of CTR obligations), 2 orders of correction, 1 order to discharge director and 21 orders of improvements, and 115 cases are requested to rectify the financial examination findings subject to follow-up monitoring. ➤ For the securities and futures businesses, the FSC has issued 1 order of improvement.
R22 - Foreign & branches subsidiaries	LC	<ul style="list-style-type: none"> ● Insurance and securities sectors do not explicitly require financial institutions to pay particular attention to their branches and subsidiaries in countries which do not or insufficiently apply the FATF recommendations. 	<ul style="list-style-type: none"> ● According to the regulations of the “Checklist of Money Laundering Prevention Guidelines for Banks”, which was revised by the Bankers Association and approved for recordation by the FSC6, banks are required to ensure that their foreign branches and subsidiaries observe AML/CFT measures consistent with home country requirements, to the

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		<ul style="list-style-type: none"> ● No formal obligation on financial institutions that where the minimum AML/CFT requirements of the home and host countries differ, branches and subsidiaries in host countries are required to apply the higher standard, to the extent that local laws and regulations permit 	<p>extent that local (i.e., host country) laws and regulations permit. Where the minimum AML/CFT requirements of the home and host countries differ, branches and subsidiaries should be required to apply the higher standard, provided that in the event of any dispute over the determination of the higher standard, the determination of the competent authority of the country where the bank's head office is located shall apply. The banks are required to inform Banking Bureau, FSC , Executive Yuan when any of their foreign branches or subsidiaries is unable to observe appropriate measures identical with the head offices' because it is prohibited by the foreign laws, regulations or other measures.</p>
R23 - Regulation, supervision and monitoring	LC	<ul style="list-style-type: none"> ● Insurance agents and brokers are exempted from the current AML/CFT requirements. ● The authorities have only recently extended the AML/CFT requirements to the money changing services sector and its effectiveness could not be established. 	<ul style="list-style-type: none"> ● FSC respectively approved Self-Disciplinary Rules on AML/CFT for insurance agents and brokers on October 15, 2009. ● Based on the Regulations Governing the Establishment and Administration of Foreign Currency Exchange Bureaus, amended on Jan. 25, 2007, the Central Bank has already carried out 188 examinations on exchange bureaus, including 46 examinations in 2009. So far, no any foreign currency exchange bureau being found to violate the MLCA.
R27 - Law enforcement authorities	LC	<ul style="list-style-type: none"> ● Designated authorities do have responsibility for the investigation of ML or TF and recovery of proceeds of crime. ● Statistics reflect that currently there has only been limited success in the recovery of proceeds of crime. 	<ul style="list-style-type: none"> ● The Ministry of Justice incorporated the “enhancing actions of seizing and confiscating illicit properties derived from embezzlements, severe economic crimes and drug smuggling” into its mid-term administrative plans (2009-2012). Since May 2008, the Ministry has conducted monthly comparison of the amount of illicit properties seized by prosecutors' offices in the drug cases and the effectiveness is

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		<ul style="list-style-type: none"> ● There currently exist limitations on measures that can be used to conduct investigations in ML – for example the undercover investigations this is recognised and is actively being worked on by the jurisdiction. 	<p>significant. The seized illicit properties increased from 486 cases of US\$1.51 million in 2008 to 892 cases of US\$1.22 million in 2009.</p> <ul style="list-style-type: none"> ● The Investigation Bureau completed 204 cases of drug offence investigation in 2009. 292 suspects were arrested and a total of 4,953.9kg (gross weight) various drugs was confiscated and 33 drug manufacturing laboratories were cracked down and the seized proceeds of crime was about NTD\$ 1,065,000 (about USD\$34,000). ● The police agencies seized illegal funds NTD\$18,793,000 (about USD\$587,281) in 2009 from drug related enforcement.
R29 - Supervisors	LC	<ul style="list-style-type: none"> ● The actual implementation and its effectiveness could not be established as the AML/CFT requirements for the foreign currency exchange sector came into force only recently in January 2007. ● Supervisory framework for the foreign exchange sector unclear. 	<ul style="list-style-type: none"> ● Based on the Regulations Governing the Establishment and Administration of Foreign Currency Exchange Bureaus, amended on Jan. 25, 2007, the Central Bank has already carried out 188 examinations on exchange bureaus, including 46 examinations in 2009. So far, no any foreign currency exchange bureau being found to violate the MLCA. ● Pursuant to Paragraph 2, Article 35 of the Central Bank Act, the Bank appoints and supervises banks and other enterprises engaged in foreign exchange operations. Based on the authority mentioned above, the Bank formulated the “Regulations Governing the Establishment and Administration of Foreign Currency Exchange Bureaus,” and entrusted the Bank of Taiwan with administrative matters. The “Guideline for the Foreign Currency Exchange and the Establishment of a Foreign Exchange Bureau Authorized by

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
			<p>the Bank of Taiwan,” stipulated by the Bank of Taiwan , set out the procedures for reporting suspected money laundering activities. With a sound legal structure in play and clear division of responsibility, the current system of the supervision of exchange bureaus works well.</p> <ul style="list-style-type: none"> ● From January 2009 through March 2010, the Financial Examination Bureau of the FSC reported 152 negligence findings on AML operations of 169 financial institutions. These findings can be boiled down to the following 4 types: violations of KYC rules, violations of the cash transaction reporting obligations, violations of the suspicious transaction reporting obligations, insufficient implementations of legal compliance and internal control. ● The Bureau of Agricultural Finance, BOAF, has kept supervising the agricultural financial institutions to conduct business according to the “Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Agricultural Financial Institutions”. If the Financial Examination Bureau of FSC discovers that the agricultural financial institutions fail to comply with the regulation, the bureau will include this fact into its examination opinion. Therefore, the BOAF will require those institutions to their legal-complied.
R30 - Resources, integrity and training	LC	<ul style="list-style-type: none"> ● There is a noticeable absence of M/L prosecutions that stem from income generating crime other than economic crime (such as narcotics offending). This reflects a lack of focus on the investigation of ML 	<ul style="list-style-type: none"> ● The Customs has recruited new members in recent years, so the issue of staff insufficiency has been gradually improved and provides a platform for the senior officers to pass down their experience, techniques of information analysis and enforcement to junior colleagues as a kind of on-the-job training for enhancing

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		<p>across all law enforcement.</p> <ul style="list-style-type: none"> ● Narcotics investigators lack the focus (at this time) to investigate the laundering of drug related income as part of their investigations and the ability to recover and confiscate that income ● There is a lack of dedicated units to recover proceeds of crime. ● There are significant deficiencies with regards to capacity of border control to implement AML/CFT measures at the border, in particular cross-border movement of currency and bearer negotiable instruments ● The adequacy of staffing resources of the FEB involved in the routine and special examinations is lacking when compared with the large size of the financial sectors captured under its mandate. 	<p>Customs officers' capability on practical operation.</p> <ul style="list-style-type: none"> ● The FSC' s workforce in the Financial Examination Bureau increases gradually. From June 2009 to March 2010, there are 6 persons transferred in from other agencies. In order to promote the professional capacity, the FSC held a week-long on-the-job training in June and December 2009 respectively, and a workshop on AML operations on 16 March 2010. ● The Ministry of Justice took the “techniques for confiscating proceeds of crime” into the curriculum of “Middle Class of Financial Investigation Training Program” for strengthening the capability of prosecutors, prosecutor’s assistants, investigators on financial investigation. In addition, the Ministry also organized the “Practical Operation Forum on Seizing Proceeds of Crime” on August 28, 2009 for prosecutors and law enforcement agents to share practical experiences on seizing proceeds of crime. ● The laws and decrees amendment researching task force under the Ministry of Justice has drafted the “Experimental Plan for Establishing Seizure and Confiscation Dedicated Unit” in May 2010, which drew up experimental dedicated units under the Special Investigation Division in the Supreme Prosecutor’s Office which will play the consultative role and Taipei, Taichung and Kaohsiung Prosecutor’s Offices in charge of seizing and confiscating proceeds of crime related matters. ● According to the regulation of Article 10 of new amended MLCA: Passengers or service crew on board who cross the border with the carrier and carry the following items shall make declarations to the customs. The customs shall report

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
			<p>subsequently to the Investigation Bureau, Ministry of Justice.</p> <ol style="list-style-type: none"> 1. Cash of foreign currency with total amount exceeding a certain amount. 2. Negotiable securities with face value exceeding a certain amount. <ul style="list-style-type: none"> ● All staffs from AMLD adopted the “Middle Class of Financial Investigation Training Program” and passed the certificate examination in May 2010 for enhancing the analysing and investigating capability on ML/FT cases. ● The Criminal Investigation Bureau held the “Drug Crimes Training Programs” in October of 2009 for police officers to trace the illegal funds flow instantly when cracking down drug crimes.
R31 - National co-operation	LC	<ul style="list-style-type: none"> ● There is extensive national cooperation but weaknesses still exist among law enforcement agencies and to support the development and promulgation of CFT measures. 	<ul style="list-style-type: none"> ● The Ministry of Justice and FSC established a coordination forum for sophisticating the process of financial crime investigation and prosecution on October 1, 2008. In the forum, the representatives from the two authorities and other agencies including Investigation Bureau get together to review the deficiencies of no prosecution, no guilty of conviction and closed investigation cases, to enhance the conscientious procedures and avoid the impact to financial market in related investigations and prosecutions. In the 7th coordination forum, the AMLD provided STR and CTR related statistic to FSC for enhancing AML/CFT supervision to financial institutions. In the 8th coordination forum, the AMLD provided comments and suggestions to the new revised “Checklist of Money Laundering Prevention

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
			Guidelines for Banks” which was stipulated by the banker’s association for strengthening the AML/CFT guidance for financial institutions.
R32 - Statistics	LC	<ul style="list-style-type: none"> ● Discrepancies in recording statistics in relation to penalties arising out of ML prosecutions ● No freezing actions have been taken pursuant to SRIII ● Authorities have yet to undertake a comprehensive review to ascertain the extent to which the DNFBP entities may pose money laundering and terrorist financing risks. ● A number of forums have been held to review the effectiveness of AML/CFT systems. ● Statistics for international cooperation (MLA, extradition etc) do not identify whether request relates to ML or predicate offence or when requests were received and when responded to. ● Statistics do not indicate number of spontaneous requests made by Chinese Taipei to foreign authorities or indicate the number of requests received and refused. 	<ul style="list-style-type: none"> ● In 2009, the total amount of laundered proceeds of crime valued to NTD \$4,626,782,146 from the 23 prosecuted cases of ML offences. ● The AMLD raised suggestion to the Judicial Yuan to add the statistics of verdicts related to the violation of MLCA cases into its annual statistics report in March 2010, and the department already permitted to review this suggestion in its internal coordination meeting. ● The MOU with the Netherlands Antilles concerning cooperation in the exchange of information related to combat money laundering and terrorist financing was concluded in 2009 and several bilateral Memorandums of Understanding (MOUs) on cooperation for the exchange of money-laundering intelligence are expected to finalize in the near future. ● The Ministry of Justice organized two international mutual legal assistance seminars, including international cooperation on AML/CFT, for public prosecutors and law enforcement agents in April 2009.
R36 - Mutual legal assistance (MLA)	LC	<ul style="list-style-type: none"> ● For jurisdictions with no MLAA with 	<ul style="list-style-type: none"> ● According to the Act of Handling Foreign Court-Commissioned

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		Chinese Taipei, that jurisdiction can only receive MLA through court order or letters rogatory	Cases and the Agreement on Mutual Legal Assistance in Criminal Matters between Chinese Taipei and the United States of America, a MLA request by foreign counterpart does not need to include an essential condition of triggering a lawsuit previously.
R38 - MLA on confiscation and freezing	LC	<ul style="list-style-type: none"> ● Law enforcement unable to utilize controlled delivery provision 	<ul style="list-style-type: none"> ● According to the Act of Handling Foreign Court-Commissioned Cases and the Agreement on Mutual Legal Assistance in Criminal Matters between Chinese Taipei and the United States of America, to response a request by a foreign nation does not include an essential condition of triggering a lawsuit previously.
R39 - Extradition	LC	<ul style="list-style-type: none"> ● Chinese Taipei does not have any process in place whereby they will cooperate with another jurisdiction when prosecuting their own nationals 	<ul style="list-style-type: none"> ● Chinese Taipei is trying hard to break the international reality and sign extradition agreements with other nations in order to solve the problem of our citizens fleeing to other nations after having committed a crime.
SR VI - AML requirements for money/value transfer services	LC	<ul style="list-style-type: none"> ● Apart from Article 29 of the Banking Act that bars non-banks from providing domestic or foreign remittance services, Chinese Taipei does not have any specific laws or regulations governing the money or value transfer service providers that operate outside of banking channels. ● No remittance providers are licensed to operate outside of the banking sector, despite the existence of unregulated remittance channels exist, with a continuing need for structures or strategies to support increased uptake of remittance through formal channels; ● The regulation, supervision and compliance 	<ul style="list-style-type: none"> ● In respond to the recommendations from the APG evaluation in 2007, the FSC has drafted amendments to Articles 29 and 125 of the Banking Act with reference to the recommendations from international organizations including Special Recommendation 6 of the FATF, Article 3 of the “General principles for international remittance services”, jointly issued by the World Bank and the Bank for International Settlements, and relevant legislations of other jurisdictions. Based on the policy of encouraging a shift of remittance from unregulated to regulated channels, the said draft amendments adopt a three-pronged approach: lifting the ban on non-banks to engage in remittance services, easing off the penal sanctions for unlawful remittance service providers and establishment of a licensing system governing remittance services. The said draft amendments are expected to enhance transparency and safety of the remittance service

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
		<p>framework for money or value transfer service providers that is undertaken by the FSC should be reflected in their policy framework.</p> <ul style="list-style-type: none"> ● The enforcement of Article 29 of the Banking Act is effective however, underground banking vulnerabilities remain and need to be continuously assessed. 	<p>market and to bring the remittance service sector in line with the AML and CFT international standards.</p> <ul style="list-style-type: none"> ● The Ministry of Justice and the FSC held the 8th Coordination Forum on March 31, 2010 to discuss the prevention and enforcement of underground remittance system.
SR VII - Wire transfer rules	LC	<ul style="list-style-type: none"> ● There is no clear requirement for banks set out in any legislation or a guideline to have in place procedures for handling inward cross-border remittances that do not come with full originator information. 	<ul style="list-style-type: none"> ● The Central Bank has requested all financial institutions to establish a risk control process for monitoring overseas inward remittance lacking of remitter ' s information beginning from June 9, 2008. ● The Central Bank revised "Directions Governing Banking Enterprises for Operating Foreign Exchange Business" Article 4 on 4 September, 2009. Authorized banks and post offices under the Chunghwa Post Co. Ltd. shall abide by the following provisions when performing ordinary inward remittance business: In the event that the information (the full name, the account number and address of the originator) on the remitter of inward remittance from abroad is incomplete, a risk management procedure shall be established.
SR VIII - Non-profit organisations	LC	<ul style="list-style-type: none"> ● Outreach has not been undertaken to raise awareness of specific vulnerabilities in the NPO sector in relation to specific risk of terrorist abuse. 	<ul style="list-style-type: none"> ● For strengthening communication among NPOs and to foster partnerships, the authorities organized a convention for nation-wide / provincial social welfare and charitable organizations on November 18th and 19th 2009. Besides discussion on set topics, the convention also focussed on

40 + 9 Recommendations	Rating	MER/DAR Recommendations	Description of actions taken or being taken to remedy deficiencies/implement MER/DAR recommendations
			<p>finding solutions to common issues as well as sharing past service experiences. In this year, the Ministry of Interior will continually delegate professional accountants to audit the financial management of 71 foundations which were graded as B, C, D in the 2008. For those shortcomings being detected in audit, the Ministry shall inform the foundations for improvements with official letters.</p>

Annexes (e.g. copies of implementation plans, new laws, regulations, statistics)

Money Laundering Control Act

Amended Date 2009.06.10

- Article 1 This Act is explicitly enacted to regulate unlawful money-laundering activities and to eradicate related serious crimes.
- As used in this Act, the crime of “money-laundering” is defined as any person who—
- Article 2 1. Knowingly disguises or conceals the property or property interests obtained from a serious crime committed by themselves or;
2. Knowingly conceals, accepts, transports, stores, intentionally buys, or acts as a broker to manage the property or property interests obtained from a serious crime committed by others.
- As used in this Act, “serious crimes” include the following crimes:
1. Crimes for which the minimum punishment is 5 years or more imprisonment.
 2. Crimes prescribed in Articles 201 and 201-1 of the Criminal Code.
 3. Crimes prescribed in paragraph 1 of Article 240, paragraph 2 of Article 241, and paragraph 1 of Article 243 of the Criminal Code.
 4. Crimes prescribed in paragraph 1 of Article 296, paragraph 2 of Article 297, paragraph 2 of Article 298, and paragraph 1 of Article 300 of the Criminal Code.
 5. Crimes prescribed in paragraphs 2 to 4 of Article 23, and paragraph 2 of Article 27 of the Act for the Prevention of Child and Juvenile Prostitution.
 6. Crimes prescribed in paragraphs 1-3 of Article 12, paragraphs 1 and 2 of Article 13 of the Statute for Fire Arms, Ammunition and Harmful Knives Control.
 7. Crimes prescribed in paragraphs 1 of Article 2, paragraph 1 of Article 3 of the Statute for Punishment of Smuggling.
 8. Crimes prescribed in subparagraph 1, paragraph 1 of Article 171 of the Securities and Exchange Act, in violation of paragraphs 1 and 2 of Article 155, or paragraph 1 of Article 157-1, subparagraphs 2 and 3, paragraph 1 of Article 171, and subparagraph 8, paragraph 1 of Article 174 of the Securities and Exchange Act.
- Article 3 9. Crimes prescribed in paragraph 1 of Article 125-2 and paragraph 1 of Article 125-3 of the Banking Act can apply to the provisions in paragraph I of Article 125, paragraph 1 of Article 125-2, paragraph 4 of Article 125-2 of the Banking Act.
10. Crimes prescribed in Articles 154 and 155 of the Bankruptcy Law.
 11. Crimes prescribed in paragraph 1 and 2 of Articles 3, 4 and 6 of the Organized Crime Prevention Act.
 12. Crimes prescribed in paragraph 1 of Article 39 and paragraph 1 of Article 40 of Agricultural Finance Act.
 13. Crimes prescribed in paragraph 1 of Article 39 and paragraph 1 of Article 58-1 of the Bills Finance Management Act.
 14. Crimes prescribed in paragraph 1 of Article 168-2 of the Insurance Law.
 15. Crimes prescribed in paragraph 1 of Article 58 and paragraph 1 of Article 57-1 of the Financial Holding Company Act.
 16. Crimes prescribed in paragraph 1 of Article 48-1 and paragraph 1 of Article 48-2 of

the Trust Enterprise Act.

17. Crimes prescribed in paragraph 1 of Article 38-2 and paragraph 1 of Article 38-3 of the Trust Cooperative Act.

18. Crimes prescribed in Article 11 of this Act.

The following crimes also fall into the category of the “serious crimes” if the property or property interests obtained from the commission of the crime(s) exceeds NT 5 million dollars:

1. The crimes prescribed in paragraph 2 of Article 336 and Article 344 of the Criminal Code.

2. The crimes prescribed in paragraph 1, the second-half of paragraph 2 to paragraph 6 of Articles 87, Article 88, Article 89, paragraph 1, second-half of paragraph 2, and paragraph 3 of Article 90, paragraph 1, second-half of paragraph 2 and paragraph 3 of Article 91 of the Government Procurement Act.

As used in this Act, the “property or property interests obtained from the commission of the crime” means:

1. The property or benefits on property obtained directly from the commission of the crime.

Article 4

2. The remuneration obtained from the commission of the crime.

3. The property or property interests derived from the above two subsections. This provision, however, is not applicable to a third party who obtains in good faith the property or property interests prescribed in the preceding two subsections.

As used in this Act, the “financial institutions” include the following institutions:

1. banks;

2. trust and investment corporations;

3. credit cooperative associations;

4. credit department of farmers’ associations;

5. credit department of fishermen’ s associations;

6. Agricultural Bank of Taiwan;

7. postal service institutions which also handle the money transactions of deposit, transfer and withdrawal;

8. negotiable instrument finance corporations;

9. credit card companies;

Article 5

10. insurance companies;

11. securities brokers;

12. securities investment and trust enterprises;

13. securities finance enterprises;

14. securities investment consulting enterprises;

15. securities central depository enterprises;

16. futures brokers;

17. trust enterprises;

18. other financial institutions designated by the competent authorities of enterprises bearing financial purposes..

The provisions governing financial institutions of this Act apply to the following institutions:

1. Jewelry retail businesses
2. Other financial institutions likely to be used for money laundering and designated by the Ministry of Justice in consultation with central competent authorities governing target businesses.

If the competent authorities for the institutions set forth in the above two paragraphs are ambiguous, the Executive Yuan shall designate the competent authorities for the institutions.

The Ministry of Justice may, as it deems necessary, require the institutions set forth in the paragraphs 1 and 2 of this Article to accept monetary instruments other than cash as payment for financial transactions.

Every financial institution referred to in this Act shall establish its own money laundering prevention guidelines and procedures, and submit those guidelines and procedures to the competent authority and the Ministry of Finance for review. The content of the money laundering prevention guidelines and procedures shall include the following items:

- Article 6
1. The operation and the internal control procedures for money laundering prevention;
 2. The regulatory on-job training for money laundering prevention instituted or participated in by the financial institution referred to in this Act;
 3. The designation of a responsible person to coordinate and supervise the implementation of the established money laundering prevention guidelines and procedures;
 4. Other cautionary measures prescribed by the competent authority and the Ministry of Finance.

The directions for institutional money laundering prevention mentioned in the previous two paragraphs shall be prescribed by the central competent authorities governing target businesses.

For any currency transaction exceeding a certain amount of money, the financial institutions referred to in this Act shall ascertain the identity of customer and keep the transaction records as evidence, and submit the financial transaction, the customer's identity and the transaction records to the Investigation Bureau, Ministry of Justice.

- Article 7
- The amount and the scope of the financial transaction, the procedures for ascertaining the identity of the customer, and the method and length of time for keeping the transaction records as evidence referred to in the preceding paragraph shall all be established by the central competent authorities governing target business in consultation with the Ministry of Justice and the Central Bank.

Any financial institution which violates the provisions set forth in the first paragraph of this Article shall be punished by a fine between NT 200,000 dollars and NT 1 million dollars.

- Article 8
- For any financial transaction suspected of committing a crime prescribed in Article 11 herein, the financial institutions referred to in this Act shall ascertain the identity of the customer and keep the transaction record as evidence, and report the suspect financial transaction to the Investigation Bureau, Ministry of Justice. The preceding provision applies even if the transaction is not completed.

The reporting financial institution will be discharged from its confidentiality obligation

to the customer if the institution can provide proof that it was acting in good faith when reporting the suspect financial transaction to the designated authority in compliance with the preceding paragraph of this Article.

The scope and procedures of the reporting referred to in paragraph 1 of this Article shall all be stipulated by the central competent authorities governing target businesses in consultation with the Ministry of Interior, the Ministry of Justice and the Central Bank. Any financial institution which violates the provisions set forth in the first paragraph of this Article shall be fined between NT200, 000 dollars and NT 1 million dollars. However, if the violating financial institution is able to prove that the cause of such violation is not attributable to the intentional act or negligent act of its employee(s), no fine shall be imposed.

Whenever the prosecutor obtains sufficient evidence to prove that the offender has committed a crime prescribed in Article 11 herein by transporting, transmitting, or transferring a monetary instrument or funds through bank deposit, wire transfer, currency exchange or other means of payment, the prosecutor may request the court to order the financial institution to freeze that specific money laundering transaction to prevent withdrawal, transfer, payment, delivery, assignment or make other necessary disposition of the involved funds for a period not more than 6 months. The prosecutor on their own authority may freeze a specific money laundering transaction and request the court's approval within three days whenever the prosecutor has probable cause to believe that the property or property interests obtained by the offender from the commission of crime are likely to disappear under exigent circumstances. The prosecutor must immediately remove the hold on transaction if the prosecutor fails to obtain the court's approval within three days. If the court fails to approve within 3 days or if the prosecutor fails to petition to the court for approval within 3 days, the hold shall be removed.

Article 9 During the trial proceeding, the presiding judge has discretion to order a financial institution to freeze the offender's money laundering transactions for purposes of withdrawal, transfer, payment, delivery, assignment or make other necessary disposition. The order to freeze the offender's money laundering transactions for withdrawal, transfer, payment, delivery, assignment or other related property disposition in a financial institution must be in writing and meet the requirements set forth in Article 128 of the Criminal Procedure Code.

When deemed necessary, applications for extension of the period referred in paragraph 1 shall be made by the public prosecutor with reasons and submitted to the court not later than 5 days prior to the expiration of the period. The extension shall not exceed 6 months and only one extension is allowed.

Paragraph 1 and the preceding paragraph of this Article shall apply to foreign governments, foreign institutions or international organizations requesting for assistance to a particular money laundering activity based on treaties or agreements entered with our government according to Article 16 relating to the prevention of money laundering activities, or based on reciprocal principle, whenever the activity engaged by the offender constitutes a crime under Article 3 of this Act regardless of whether such activity is being investigated or tried in this jurisdiction. The provisions set forth in

Chapter 4 of the Criminal Procedure Code with respect to interlocutory appeal shall apply to orders referred to in paragraphs 1, 2 and 4.

Passengers or service crew on board who cross the border with the carrier and carry the following items shall make declarations to the customs. The customs shall report subsequently to the Investigation Bureau, Ministry of Justice.

1. Cash of foreign currency with total amount exceeding a certain amount.
2. Negotiable securities with face value exceeding a certain amount.

Article 10

The aforementioned fixed amount of currency and negotiable securities, and the scope, procedures and other matters in relation to declaration and reporting shall be stipulated by the Ministry of Finance in consultation with the Ministry of Justice, the Central Bank, and the Financial Supervisory Commission of the Executive Yuan.

Foreign currencies carried but failed to declare in accordance with the provision in paragraph 1 shall be confiscated. In the event of untruthful declaration with regard to the amount of foreign currency carried, the amount exceeding the number declared shall be confiscated; Failure to make declaration with regard to the amount of negotiable securities carried according to paragraph 1 or in the event of untruthful declaration, a fine in the amount equivalent to the amount not declared or not truthfully declared shall be imposed.

Whoever engages in money laundering activity referred to subparagraph 1, paragraph 1 of Article 2 of this Act shall be sentenced to imprisonment for not more than five years; in addition thereto, a fine of not more than NT 3 million dollars may be imposed.

Whoever engages in money laundering activity referred to subparagraph 2, paragraph 1 of Article 2 of this Act shall be sentenced to imprisonment for not more than seven years; in addition thereto, a fine of not more than NT 5 million dollars may be imposed. Any person who collects or provides property or property interests for him or herself or others to commit any of the following crimes, thereby intimidating the public or threatening the government, a foreign government or institution, or an international organization shall be imprisoned for not less than 1 year and not more than 7 years; in addition thereto, a fine of not more than NT 10 million dollars may be imposed:

Article 11

1. Crimes prescribed in paragraph 1 and paragraph 3 of Article 173, Article 176 to which paragraph 1 and paragraph 3 of Article 173 apply mutatis mutandis, paragraph 1 and paragraph 3 of Article 178, paragraph 1 and paragraph 4 of Article 183, paragraph 1, paragraph 2 and paragraph 5 of Article 184, Article 185, paragraphs 1 ~ 5 of Article 185-1, Article 185-2, paragraph 1, paragraph 2 and paragraph 4 of Article 186-1, Article 187-2, Article 187-3, Article 188, paragraph 1, paragraph 2 and paragraph 4 of Article 190, paragraphs 1 ~ 3 of Article 190-1, Article 191-1, paragraph 2 of Article 192, paragraph 1 and paragraph 2 of Article 271, Article 278, Article 302, paragraphs 1 ~ 3 of Article 247, Article 248, and Article 348-1 of Criminal Code.

2. Crimes prescribed in Article 7 of Guns, Ammunitions, and knives Control Act.

3. Crimes prescribed in Article 100 of Civil Aviation Act.

The representative of a legal entity, the agent, employee or other worker of a legal entity or a natural person engaging within the scope of his or her employment in money laundering activities as set forth in the preceding three paragraphs shall be punished in accordance with the provisions set forth in the preceding three paragraphs of this Article.

In addition, the legal entity or the natural person that the offender represents or works for, shall also be fined in accordance with the provisions set forth in the preceding three paragraphs, unless the representative of a legal entity or a natural person has done his or her best to prevent or stop the money laundering activities.

If a person surrenders to the authorities within six months after engaging in money laundering activities as set forth in the preceding three paragraphs, the punishment shall be exempted. If a person surrenders later than six months after engaging in any of the money laundering activities set forth in the preceding four paragraphs, the punishment shall be reduced or exempted. Any person who confesses during the custodial interrogation or the trial that he or she has engaged in the money laundering activities set forth in the preceding four paragraphs, the punishment shall be reduced.

The crimes prescribed in paragraph 1 to paragraph 3 hereof shall apply to crimes committed by citizens of Chinese Taipei in a territory outside.

Article 12 Any person who engaged in the money laundering activity set forth in Subsection 2 of Paragraph 1 of Article 2 of this Act to conceal, accept, transport, store, intentionally buy, or act as a broker to manage the property or property interests obtained from a serious crime or crimes committed by his or her lineal relatives, spouse or any other relatives living together or jointly owning the property, his or her sentences or fine may be reduced.

Any government official who reveals, discloses or turns over documents, pictures, information or things relating to a reported transaction suspected of committing a crime prescribed in Article 11 herein or to a reported alleged crime prescribed in Article 11 herein to others shall be sentenced to imprisonment for not more than three years.

Article 13 Any employee of a financial institution without a government official position reveals, discloses or hands over documents, pictures, information or things relating to a reported transaction suspected of committing a crime prescribed in Article 11 herein or to a reported alleged crime prescribed in Article 11 herein to others shall be sentenced to imprisonment for not more than two years, detention, or a fine of not more than NT 500,000 dollars.

The property or property interests obtained from the commission of a crime by an offender violating the provisions set forth in Article 11 of this Act, other than that which should be returned to the injured party or a third party, shall be confiscated, regardless of whether the property or property interests belong to the offender or not. Whenever the above property or property interests can not be confiscated in whole or in part, the value thereof shall be indemnified either by demanding a payment from the offender or by offsetting such value with the property of the offender.

Article 14 The offender's property may be seized, if necessary, to protect the property or property interests obtained from the commission of a crime by an offender violating of the provisions set forth in Article 9 of this Act.

The first two paragraphs of this Article also applies to foreign governments, foreign institutions or international organizations requesting our government to assist in a particular money laundering activity based on the reciprocal treaties or agreements entered with our government according to Article 16 relating to the prevention of money laundering activities, whenever the activity engaged by the offender constitutes a crime

under Article 3 of this Act regardless such activity is being investigated or tried in this jurisdiction.

The property or property interests confiscated, other than cash, investment securities or negotiable instruments, may be distributed by the Ministry of Justice to the prosecutor offices, the police departments, or other government agencies assisting the investigation of the money laundering activities for official use, in accordance with the provisions set forth in paragraph I of the previous Article

Article 15 The Ministry of Justice may distribute the confiscated property or property interests in whole or in part to a foreign government, foreign institution or international organization which enters a treaty or agreement in accordance with Article 16 of this Act to assist our government in confiscating the property or property interests obtained by an offender from his or her commission of a crime or crimes.

The Executive Yuan shall promulgate regulations for management, distribution and use of the property or property interests mentioned in the preceding two paragraphs.

Article 16 The government of Chinese Taipei may, based on the principle of reciprocity, enter into cooperative treaties or other international written agreements relating to the prevention of money laundering activities with foreign governments, institutions or international organizations to effectively prevent and eradicate international money laundering activities.

With regard to the request for assistance by foreign governments, institutions or international organizations, unless otherwise stipulated in the applicable treaties or agreements, information of declarations or reporting and investigation result can be provided according to Article 7, 8 and 10 based on the principle of reciprocity.

Article 17 This Act shall go into effect upon promulgation.

Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Financial Institutions

Announced Date 2008.12.18

Article 1 The Regulations are enacted pursuant to Paragraph 2, Article 7 and Paragraph 3, Article 8 of the Money Laundering Control Act.

Terms used in these Regulations are defined as follows:

1. The term “a certain amount” shall mean NT\$500,000 (including the foreign currency equivalent thereof).

Article 2 2. The term “cash transaction” shall mean cash receipt or payment in a single transaction (including all transactions recorded on cash deposit or withdrawal vouchers for accounting purpose), or the transaction of currency exchange.

Financial institutions shall comply with the following provisions with respect to cash transactions above a certain amount:

1. Verify the identity of the customer by checking his or her identity (ID) document or passport and record the customer’s name, date of birth, address, telephone, account number, amount of transaction, and ID number. Notwithstanding the foregoing, verification of identity is not required, provided the financial institution is assured that the customer is the account holder and notes the same on the transaction record.

Article 3 2. If the transaction is conducted by an agent, check the identity of the agent by checking his or her ID document or passport and record the name, date of birth, address, and telephone of the agent, account number, amount of transaction, and ID number.

3. Each financial institution has the option to choose a method for documenting the customer verification procedure and applies the method consistently throughout the entire institution.

4. Keep the originals of the verification record and proof of transaction for five years.

Financial institutions shall file a report on a cash transaction above a certain amount with the Investigation Bureau, Ministry of Justice within five (5) business days after the completion of the transaction via electronic media (see Attachment 1 for file format). A financial institution may file such a report in hard copy (see Attachment 2 for format),

Article 4 provided it is unable to file the report via electronic media with good cause and has acquired the approval of the Investigation Bureau, Ministry of Justice.

■ [Attachment 1 Cash Transaction File Layout.doc](#)

■ [Attachment 2 \(Reporting Entity\) Cash Transaction Report.doc](#)

A financial institution is not required to file a report on any of the following cash transactions above a certain amount with the Investigation Bureau, Ministry of Justice, provided the financial institution verifies the identity of the customer and keeps the transaction record thereof:

1. Receivables and payables arising from the transactions with government agencies, state-run enterprises, institutions acting with governmental power (within the scope of mandate), public and private schools, public enterprises and government funds established where relevant regulations or contractual relationships so provide.

Article 5 2. Transactions and fund arrangements between financial institutions. Notwithstanding the foregoing, payables to another bank’s customer paid through an inter-bank deposit account, such as a customer cashing the check issued by another bank, shall be handled as required, provided the cash transaction of the same customer exceeds a certain amount.

3. Lottery ticket purchases by lottery merchants .

4. Payments collected on behalf of a third party (excluding payments deposited in designated stock subscription accounts) where the payment notice expressly bears the name, ID Card number (including the code which enables tracking of counterparty’s

identity), and type and amount of transaction. Nevertheless, the duplicate copy of the payment notice shall be kept as the transaction record.

In case of non-individual accounts such as those opened by department stores, megastores, supermarket chains, gas stations, hospitals, transportation businesses and hotels and restaurants which must deposit cash amounting to over a certain amount constantly or routinely in line with business needs, the financial institution may, after verifying the actual business needs, submit the name list to the Investigation Bureau, Ministry of Justice for recordation. Verification and reporting of transactions on a case-by-case basis may be

Article 6 waived for such an account unless the Investigation Bureau, Ministry of Justice responds to the contrary within ten days from the receipt of the name list.

A financial institution shall examine the counterparties to the transactions exempted from reporting on a case-by-case basis as mentioned in the preceding paragraph at least once every year, and report to the Investigation Bureau, Ministry of Justice for recordation if a counterparty no longer has business dealing as mentioned in the preceding paragraph with it.

In case of any of the following situations, a financial institution shall verify the identity of the customer and keep the transaction record, and file a suspicious transaction report (STR) thereof with the Investigation Bureau, Ministry of Justice:

1. Where the total cash deposits or withdrawals into or from the same account on the same business day cumulatively reaches above a certain amount and the transactions do not appear to be commensurate with the account holder's status and income or are unrelated to the nature of the customer's business.

2. Where a customer makes multiple cash deposits or withdrawals at the same counter, which cumulatively reach above a certain amount and the transactions do not appear to be commensurate with the customer's status and income or are unrelated to the nature of the customer's business.

3. Where a customer at the same counter at one time uses cash to make multiple outward remittances, or request the drawing of negotiable instruments (e.g., bank check, due-from-bank check, and bank draft), purchases NCD, traveler's checks, or other valuable securities, which in total exceeds a certain amount and the customer is unable to reasonably explain the purposes of those transactions.

Article 7 4. Where inward remittances are from a country or region that is designated by international organizations on anti-money laundering and combating the financing of terrorism (AML/CFT) as a country or region with serious deficiencies in its AML/CFT regime, and other countries or regions that do not or insufficiently comply with the recommendations of international organizations on AML/CFT as forwarded by the Financial Supervisory Commission, Executive Yuan and such transactions do not appear to be commensurate with the customer's status and income or is unrelated to the nature of the customer's business.

5. Where the ultimate beneficiary or transaction party is a terrorist or terrorist group as advised by the Financial Supervisory Commission, Executive Yuan based on information provided by foreign governments, or a terrorist organization identified or investigated by an international organization against money laundering; or where the transaction is suspected or bears reasonable reason to suspect to have been linked with a terrorist activity, terrorist organization or financing of terrorism.

6. Other transactions that show signs of money laundering as provided in the money laundering prevention guidelines of the financial institution and are deemed as irregular transactions under the internal procedure of the financial institution.

For transactions other than those mentioned in the preceding paragraph and deemed as

suspicious money laundering activities (including cash and transfer transactions), a financial institution shall file a STR with the Investigation Bureau, Ministry of Justice, regardless of the amount of transaction. For transactions mentioned in the preceding two paragraphs that were not completed, a financial institution shall still file a STR with the Investigation Bureau, Ministry of Justice.

Financial institutions shall observe the following rules in filing a STR:

1. Within ten (10) business days upon discovery of the transaction suspected of money laundering, the responsible section at the head office of the financial institution shall prepare a STR (See Attachment 3), report it to the deputy general manager or a person holding equivalent position at the institution for approval and promptly file a STR with the Investigation Bureau, Ministry of Justice.

Article 8

2. For obvious, significant and urgent suspected money laundering transactions, a financial institution should report the case concerned to the Investigation Bureau, Ministry of Justice promptly by fax or other feasible means and follow it up with a written report. The financial institution is not required to submit a follow-up written report, provided the Investigation Bureau, Ministry of Justice has acknowledged the receipt of the fax report by sending a reply by fax (See Attachment 4). In such event, the financial institution shall keep the fax confirmation reply.

3. The originals of the reporting records and proofs of transactions shall be kept for five years.

■ [Attachment 3 \(Reporting Entity\) Suspicious Transaction Report.doc](#)

Article 9 These Regulations shall be implemented three months after issuance.

Bankers Association's
Specimen of "Points for Attention by Banks on Money Laundering
Prevention," Updated

October 2009

Approved by the Financial Supervisory Commission, Executive Yuan with Letter Chin-Kuan-Yin (I)-Tze 09600131550 dated April 9, 2007

(Duly amended pursuant to Order of Financial Supervisory Commission, Executive Yuan Chin-Kuan-Yin-(I)-Tze 09610000640 dated February 12, 2007 and Order of the Banking Bureau, Financial Supervisory Commission, Executive Yuan Yin-Chu-(I)-Tze 09500478310 dated November 1, 2006)

Approved by the Financial Supervisory Commission, Executive Yuan with Letter Chin-Kuan-Yin-(I)-Tze 09800116170 dated March 18, 2009

(Duly amended pursuant to Orders of the Financial Supervisory Commission, Executive Yuan Chin-Kuan-Yin-(I)-Tze 09710005120 dated January 9, 2009 and Chin-Kuan-Yin-(I)-Tze 09800074660 dated March 4, 2009)

Approved by the Financial Supervisory Commission, Executive Yuan with the letter from Chin-Kuan-Yin-Fa-Tze 09800415730, dated October 9, 2009
(Duly amended pursuant to the letter of the Financial Supervisory Commission, Executive Yuan Chin-Kuan-Yin-(I)-Tze 09800074660 dated March 4, 2009 and the letter from the Examination Bureau of the Financial Supervisory Commission, Executive Yuan Chien-Ju-(7)-Tze 0980163035 dated March 27, 2009)

- I. These Points for Attention are duly enacted in accordance with Article 6 of the "Money Laundering Prevention Act" in an effort to help control and prevent money laundering.
- II. Points for attention in "Money Laundering Prevention":
 - (I) When a client opens an account:
 1. The teller shall, when processing a client's application to open an account (including individual accounts and non-individual accounts, verify at least two kinds of the client's identity documents and keep the verified identity documents. Where an individual applies to open an account, the teller shall, other than his/her ID card, obtain other document(s) which could verify his/her identity, e.g., National Health Insurance Card, passport, driver's license, student identity card, household registry book or household registry certificate. **The teller should, at the same time, check with the Joint Credit Information Center ("JCIC") or conduct an enquiry through the Bank's own database on whether the individual is a political celebrity in other countries. If yes, the teller should enforce proper control measures and conduct regular reviews on the account.** Where a non-individual applies to open an account, the teller shall obtain certificates verifying incorporation registration, official documents or other supporting certificates and shall, in addition, obtain the minutes of its Board of Directors meeting, Articles of Incorporation or financial statements before approving the application to open an account. The teller shall not accept tax payment certificates as the only source to verify identity. The secondary certificates other than the ID card and the registration certificate shall be able to show who the client is. In the case of non-individual application for account opening, the registration license for incorporation of the company, if any, may serve to be the non-individual account representative's (or responsible person's) secondary identification certificates. In the case of a company's account opening, if the company's registration license has been collected and the search and recordation of

the company's registration has been conducted by a financial organization, it is not necessary to request the minutes of directors' meetings. The name list of an entity or school may be taken as the secondary certificate if it may ascertain the client's identity. In the event that a client refuses to provide the required documents, the teller shall decline courteously the application for account opening or shall not process the application until after checking and satisfactorily verifying the client's identity.

2. Where a client opens an account through a consignee or an agent, the teller shall check and verify the facts of consignment and authority as well as identity related data. The teller shall decline the application in a courteous manner if there is difficulty checking and verifying such facts.
3. The teller shall decline the application in a courteous manner if an applicant is found to have allegedly used a false name, dummy name, a nominal firm or a nominal institution.
4. The teller shall decline the application in a courteous manner if an applicant is found to have provided falsified, tampered identity certificates, or have provided all identity certificates in Xeroxed copies.
5. The teller shall decline the application in a courteous manner if the provided documents are suspicious or illegible or if the applicant is unwilling to provide other supporting certificates or if the provided documents are not verifiable.
6. The teller shall decline the application in a courteous manner if an applicant is found reluctant to provide additional documents as required with unusual delay.
7. The teller shall decline the application in a courteous manner if other unusual conditions are found and the applicants cannot explain them in a reasonable manner.
8. For other important guidelines when a client opens an account, tellers shall faithfully comply with the Bank's regulations for internal operations.

(II) Important notes to reconfirm after a client completes account opening:

1. When a client opens an account through a consignee or agent or where a client is not found to be suspicious until after his/her account has been opened, the teller shall reconfirm by phone, by letter or by on-the-spot interview.
2. When a client opens an account by mail, the teller shall reply with official letter in registered mail after the account opening procedures are completed so as to verify the case.

(III) Important notes on transactions after accounts are opened:

1. On a transaction above the specified threshold amount, tellers should check and verify clients' identity and keep transaction records in archives.
2. The term "the specified threshold amount" as set forth in these Points for Attention denotes NT\$500,000 (including foreign currencies of the equivalent value). The term "currency transaction" means the single payment or collection case in cash (including all accounting handling entered in input/output cash vouchers) or a single case in exchange in bank note or in currencies.
3. The review measures against customers shall include measures to identify whether the customers act on behalf of another persons or the actual beneficiaries, purpose and nature of the searched business relationship and review on the current customers.
4. For a currency transaction over the specified threshold amount, the tellers shall, except in situation described in Paragraph 6, declare through media declaration within 5 business days (Cf. Appendix I for file format), to the Investigation Bureau, Ministry of Justice. Where it is impossible to declare through media declaration,

subject to consent by the Investigation Bureau, Ministry of Justice and if good reason exists, the tellers may declare in document form (Cf. Appendix II for file format).

5. Tellers should exercise extraordinary diligence if transaction of a client meets any of the situations listed below. If the transaction is suspected of being money-laundering, the teller shall check and verify the client's identity and keep transaction records and vouchers in archives and shall, in addition, take into account these Guidelines and shall declare the case to the Investigation Bureau, Ministry of Justice.
 - (1) Where the total deposits and withdrawals within the same account on the same business day accumulate over the specific amount and the transactions do not appear to be commensurate with the client's identity and revenue background and irrelevant to the attributes of his/her profession
 - (2) Where a client makes multiple deposits and withdrawals through the same counter and accumulates over the specific amount and transactions do not appear to be commensurate with the client's identity and revenue background and irrelevant to the attributes of his/her profession.
 - (3) Where a client at the same counter at the same time makes multiple outward remittances in cash or requests issuance of instruments (e.g., bank check, a check with another bank for deposit, bank draft), applies for negotiable time deposit certificates, traveler's checks, beneficiary certificates and other valuable securities exceeding the specific amount where the client can not reasonably explain the purpose.
 - (4) Where a client has deposited or withdrawn money at different counters and the amount for each transaction is within (or in excess of) the threshold for reporting suspicious money laundering activity, the accumulated amount has exceeded a specific level, and/or the transactions obviously do not correspond to the customer's personal status or income, and are not relevant to his/her business nature.**
 - (5) When a client suddenly receives a deposit(s) in extraordinarily large amount (e.g., by depositing many promissory notes, checks into the same account) which is apparently not commensurate with the client's identity and revenue background and irrelevant to the attributes of his/her profession.
 - (6) When a still client or an account long inactive suddenly has a large amount of cash input or output (e.g., depositing large-amount check(s) to apply for financing) and also quickly transferred out.
 - (7) When an account, shortly after opening, is seen having deposit, inward remittance in a huge amount apparently incommensurate with the client's identity and income, or irrelevant to the client's business and the deposit has been quickly transferred out.
 - (8) When a deposit client deposits multiple small amounts rapidly and immediately withdraws a huge amount or in a scattered manner and leaves only a nominal balance, with the amount found apparently incommensurate with the client's identity or income and irrelevant to the attributes of his/her profession.
 - (9) When a client is found having frequently transferred huge amounts of funds within the relevant accounts or requests to proceed with his/her transaction in cash **(i.e., conducting money transfers on the pretext of cash withdrawal).**
 - (10) When each deposit case and withdrawal case are similar in amounts and are close together in occurrence.
 - (11) When the transaction is an inward remittance from certain specified regions (countries with a high risk in money laundering), and where the transaction is found apparently incommensurate with the client's identity or revenue and irrelevant to the attributes of his/her profession. The names of the countries or economic entities mentioned in this paragraph shall be updated in line with the countries or territories that are materially defective in prevention of money laundering and attack of sponsorship to terrorists or any other countries or territories which fail to comply with the suggestions of the international money

laundering prevention organizations, as published by the international money laundering organizations via the Financial Supervisory Commission, Executive Yuan.

- (12) When in a case of foreign exchange, traveler's checks, draft in foreign currencies or other bearer's financial tool in a huge amount where the client fails to clarify the purposes or origin, or where the transaction proves nonconforming with the client's identity or profession.
- (13) Where a client is found to have frequently converted small denomination bank notes into large denomination ones or vice versa.
- (14) Where a client is found to have frequently deposited/withdrawn large amounts into/out of a specific account for others or through different third parties.
- (15) Where a client is found to have scattered transactions through the same account, and frequently deposited into or withdrawn out of an account in amounts marginally below the threshold for declaration.
- (16) Where a client is found to have abruptly repaid huge amounts of doubtful loans but could not reasonably explain the origin of the funds.
- (17) Any other obviously unusual transactions, e.g., sales of financial bonds in huge volume, or frequent use of traveler's checks or foreign currency checks in a huge volume without justifiable reasons; or opening L/Cs in huge amount for transaction where the client is unable to provide reasonable information, or opening an account in huge amounts (tens of millions of New Taiwan Dollars) with another financial institution's check which is suspected to be money-laundering.
- (18) Where the end beneficiary or transaction counterpart is found to be a terrorist individual or entity as advised by foreign governments via the Financial Supervisory Commission, Executive Yuan, or the terrorism organization recognized or tracked by the international money laundering prevention organizations; or where the transaction is suspected or bears reasonable reason to suspect to have been linked with a terrorist activity, terrorist organization or subsidy to terrorism.
- (19) The deposits, withdrawals or remittances in a bank by a client who is believed to have been implicated in a major, extraordinary case as reported by press, magazine, TV, Internet and such media.
- (20) Where several people team up with one another to conduct deposits, withdrawals or remittances with a bank.

The Bank shall report to the Investigation Bureau, Ministry of Justice the potential money laundering in any transactions other than those identified in the preceding paragraph (including cash and transfer transactions), irrelevant with the amount of transactions. In the case of transactions referred in the previous two paragraphs uncompleted, the Bank shall also report the potential money laundering to the Investigation Bureau, Ministry of Justice.

6. In the case of a currency transaction above the specified threshold, it is not necessary for the Bank to report it to the Investigation Bureau, Ministry of Justice, provided that the Bank shall still identify the client and recorded transaction certificates:
 - (1) Transaction, with receivable, payable, is conducted by a government entity, government corporation, an entity that exercises government power (within the consigned scope), public or private school, public utility and the funds prove to comply with the laws and regulations concerned of the government.
 - (2) The inter-bank transaction and fund arrangement: In the event a client as a fellow bank yields payable amount through an inter-bank deposit account, e.g., honoring a check issued by a fellow bank, the case shall still be handled as required if the transaction of a same client amounts to over the specific amount.
 - (3) The amounts paid by a national lottery dealer.
 - (4) Transaction as payment collected for a third party (excluding the transaction in deposit of stock money for an earmarked account) where the payment note already expressly bears the name, ID Card number (including

the code which enables the search of the identity of the transaction counterpart), category and amount of the transaction. In such a case, nevertheless, the duplicate copy of the payment note shall be archived to verify the transaction.

In cases of those non-individual accounts such as a department store, megastore, supermarket chain, gas station, hospital, clinic, transportation entity, hotel, restaurant which must deposit cash amounting to over the specific amount regularly or routinely in line with business needs, the Bank, while verifying the *de facto* needs, shall submit the name list to the Investigation Bureau, Ministry of Justice for information. Declaration on a case-by-case basis may be dispensed with for such account unless the Investigation Bureau, Ministry of Justice responds on the contrary within ten days from receipt of the name list.

The counterparts exempted from the declaration on a case-by-case basis as mentioned above shall be rechecked and verified at least once per annum by the Bank and shall be submitted to the Investigation Bureau, Ministry of Justice for information if a transaction counterpart is found in the recheck no longer living up to the aforementioned transaction terms.

Whenever a transaction falling under Paragraphs I, II is found to be suspiciously like money-laundering, the case shall still be handled in accordance with Article 8 of the Money Laundering Prevention Act.

III. The internal control procedures for money laundering prevention:

(I) Procedures in verifying the client identities, and methods and duration in archiving the transaction records and vouchers:

1. The Bank shall check and verify the identities of clients based on the ID card or passport provided by the clients. Record the client's name, birth date, address, phone number, transaction account code, amount of transaction, ID Card number into records. The procedures to verify the identity may be dispensed with if the account proves to belong to the client himself/herself, provided that the transaction record shall specify the individual transaction.
2. In the event that the transaction is conducted by an agent, in addition to the preceding paragraph, the teller shall identify the agent based on the ID certificates or passport provided by the agent, and record the agent's name, birth date, address, phone number, transaction account code, amount of transaction and ID Card number into records.
3. The verified records and transaction vouchers shall be archived for five years minimum in the original manner. On the method to record procedures to verify customers, the Bank will take into account the principle of unanimity for the entire bank and select one method to record.

(II) Rules must be complied with while checking and verifying the clients' identities:

1. Where the Bank sets business relationship with a client or where a provisional client exceeds the specified threshold in the financial transaction, or where a client is suspected to have provided data not adequate to verify the identity, the teller shall check and verify the client's identity according to the government issued documents or other identifiable documents and shall record such facts.
2. For these clients who handle transaction through an agent or a professional intermediary and those clients who are found to present a high risk toward the bank's goodwill, tellers shall pay more attention to check and verify the clients' identity.
3. Tellers shall exercise extraordinary diligence toward non-resident clients to understand why they open accounts in a foreign country.

4. Tellers shall pay more attention to review those clients who are engaged in personal financial services management.
5. Tellers shall pay more attention to review those clients who have been rejected by other bank.
6. For clients who are not in “face-to-face” transaction, tellers shall conduct the procedures of the same effect to verify clients and shall, meanwhile, take extraordinary and adequate measures so as to minimize risks.
7. In the event that a transaction itself is not against to any law but the bank comes to the awareness or must presume that a client obtains the funds through corruption or embezzlement of public assets, the bank shall reject such client or break off their business relationship.

(III) Continual control over accounts and transaction:

1. Banks shall, step-by-step, make use of information systems to find questionable transactions.
2. Banks shall strengthen control over high risk accounts.
3. Banks shall exercise extraordinary diligence over complicated transactions, transactions of huge amounts or unusual transactions which are done without economic or legal purpose. Banks shall, as far as possible, look into the backgrounds and motivation behind the aforementioned transactions and shall set up documented data on all findings. The documented data shall be archived for at least five years.

(IV) Important notes for Bank staff in dealing with clients:

1. Tellers shall decline to serve the client in a courteous manner and report to the department head if:
 - (1) A client insists on not filling out the required databases after being advised that he/she must provide relevant databases to verify his/her identity.
 - (2) Any individual or entity forcibly demands or attempts to forcibly demand that a bank teller should not have the transaction records or declaration papers archived.
 - (3) A client attempts to persuade the teller into waiving the data in the transaction.
 - (4) A client inquires into the possibility to evade declaration procedures.
 - (5) A client is anxiously and eagerly trying to explain that his/her money is clean and does not come from money-laundering.
 - (6) A client insists that the transaction should be completed instantly and fails to give reasonable explanation.
 - (7) Client’s explanation is found nonconforming with the facts.
 - (8) A client intends to offer benefit to the teller in an attempt to obtain services from the Bank.
2. A teller shall be subject to audit check from the bank on the business in his/her charge in any of the following situations. The Audit Office shall render support as necessary when requested:
 - (1) Where a teller leads a sumptuous lifestyle apparently incommensurate with his/her salary level.
 - (2) Where a teller is reluctant to take his/her vacation day(s) without a justifiable reason when he/she is assigned to take a vacation day.
 - (3) Where a teller fails to clarify huge input, output in his/her account with reasonable explanations.

(V) Requirements on the internal declaration procedures and procedures to declare with the designated entity:

1. The Bank shall appoint the Vice President (or a person of or higher than the equivalent rank) to serve as the designated officer to coordinate with and oversee the enforcement of the Guidelines on Money Laundering Prevention. The Bank shall further designate a Degree I unit to serve as the unit in charge. The Vice President so appointed shall be the one who has satisfactorily completed the educational & training programs on Money Laundering Prevention Act. All newcomers shall complete the same educational & training programs within six months from date of hiring.
2. All branch sales offices shall assign senior department heads as the designated personnel to oversee such tasks.
3. Procedures in declaration: (Aimed at procedures to declare an alleged offense in money-laundering):
 - (1) The tellers in charge in all units shall immediately report to the responsible supervisor whenever abnormalities are noticed in transaction.
 - (2) The responsible supervisor shall promptly resolve whether or not the case should be declared.
 - (3) If a case is ruled that it should be declared, the case shall be immediately handed over to the initial teller in charge to fill out declaration in the Appendix III.
 - (4) The documented declaration shall be verified by the department head before being submitted to the Head Bank (Head Office.)
 - (5) After the responsible department of the Bank submits the case to the Vice President or person of the equivalent position for verification, the declaration shall be made to the Investigation Bureau, Ministry of Justice forthwith.
 - (6) The aforementioned declaration to the Investigation Bureau, Ministry of Justice shall be completed within ten banking days starting from the date on which the alleged money-laundering is noticed.
4. In the event that the aforementioned declaration is considered an urgent case of suspected money laundering, the declaration shall immediately be made by the units concerned to the Investigation Bureau, Ministry of Justice promptly by FAX or other feasible means while the documented declaration shall be followed up to the Investigation Bureau, Ministry of Justice as per the uniform declaration form as specified under Letter Tai-Tsai-Jung 0920035253 dated August 4, 2003, provided that where the Investigation Bureau acknowledges the receipt to the bank (see Appendix 4) in writing, it is not necessary to make the documented declaration. The bank shall maintain the written acknowledgment of receipt.
5. The declaration record and transaction vouchers shall be archived for five years minimum in the initial manner. The databases, e.g., the clients' identity certificates in Xerox copies, account data and communications facts, of those accounts which have been closed shall be archived for at least five years.

(VI) Non-disclosure clauses to prevent the declaration and information from being leaked:

1. For all declaration cases made in accordance with the preceding paragraph, personnel of all levels shall be subject to non-disclosure obligations and shall not leak without authority.
2. All declaration documents shall be classified confidential. Disclosure without authority shall be subject to penalty according to laws and regulations concerned.
3. The personnel dedicated to money laundering, chief compliance officers or audit unit personnel shall acquire the customers' data and transaction record in a timely manner to perform their duty, provided that they comply with the non-disclosure obligation.

(VII) Provisions regarding regular examination on the internal control measures to assure

whether or not they live up to requirements for Money Laundering Prevention:

1. The Bank shall conduct reassessment on the Money Laundering Prevention on a periodic basis.
2. Where the Bank has many branches located in widespread locations, the Money Laundering Prevention Reassessment Workshops may be called and held so as to attain a pooled effect.

(VIII) The powers and duties of the Audit Office on the tasks of money-laundering prevention:

1. The Audit Office shall conduct audit on a periodic basis in accordance with the Guidelines for Internal Control Measures and other provisions concerned.
2. The Audit Office shall, whenever noticing a defect or fault by any units in the enforcement of the management measures, report the cases to the Vice President or personnel of the equivalent level and shall provide the cases for reference in the on-the-job educational & training programs of tellers.
3. In the event that an auditor is found having willfully concealed a gross offense from report, the case shall be reported to the responsible unit of the Head Office so that due action may be taken as the actual situations may justify.
4. The Audit Office shall provide designated personnel to conduct sample check on huge amount transactions of all units concerned to look into and make sure that transactions are justifiable.

(IX) In the event that the Bank operates business concurrently, such department in concurrent business operation shall be subject to the Guidelines for Money Laundering Prevention which are equally applicable to the business concerned. In the event that the Bank operates bills business concurrently, the Bills Division shall be equally subject to these Important Notes on the Money Laundering Prevention on Bills Dealers.

(X) In relation to cross-border correspondent banking^{**1} and other similar relationships^{**2}, financial institutions should enact specified policies and procedures, including at least the following:

1. Gather sufficient information about a respondent institution to understand fully the nature of the respondent's business and to determine from publicly available information the reputation of the institution and the quality of supervision, including whether it has been subject to a money laundering or terrorist financing investigation or regulatory action.
2. Assess the respondent institution's AML/CFT controls, and ascertain that they are adequate and effective.
3. The Bank should obtain approval from senior management before establishing new correspondent relationships.
4. Document the respective AML/CFT responsibilities of each institution.
7. Where a correspondent relationship involves the maintenance of "payable-through accounts^{**3}", it is necessary to identify the correspondent bank has strictly identified the customers' identity and provide the relevant information about the identification if necessary..
8. Prohibited from establishing the correspondent relationship with any shell banks^{**4} or any foreign financial organizations permitting any shell banks to use their account.

** 1. Correspondent banking is the provision of banking services by one bank (the "correspondent bank") to another bank (the "respondent bank"). Large international banks typically act as correspondents for

thousands of other banks around the world. Respondent banks may be provided with a wide range of services, including cash management (e.g. interest-bearing accounts in a variety of currencies), international wire transfers of funds, cheque clearing, payable-through accounts and foreign exchange services.

** 2. Similar relationships to which financial institutions should apply Criteria 1-5 include for example those established for securities transactions or funds transfers, whether for the cross-border financial institution as principal or for its customers.

** 3. Payable through accounts refers to correspondent accounts that are used directly by third parties to transact business on their own behalf. "Payable through accounts " also called "pass through accounts "or "pass by accounts", these generally are checking accounts marketed to foreign banks that otherwise would not have the ability to offer their customers direct access to the U.S. banking system.

** 4. Shell bank refers to a bank incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group.

(XI) Banks are required to ensure that their foreign branches and subsidiaries observe AML/CFT measures consistent with home country requirements, to the extent that local (i.e., host country) laws and regulations permit. Where the minimum AML/CFT requirements of the home and host countries differ, branches and subsidiaries should be required to apply the higher standard, provided that in the event of any dispute over the determination of the higher standard, the determination of the competent authority of the country where the bank's head office is located shall apply. The banks are required to inform Banking Bureau, Financial Supervisory Commission, Executive Yuan when any of their foreign branches or subsidiaries is unable to observe appropriate measures identical with the head offices' because it is prohibited by the foreign laws, regulations or other measures.

IV. The on-the-job educational & training programs on Money Laundering Prevention which must be held on a periodic basis or must be attended:

(I) Pre-service educational & training programs: All newcomers shall attend and complete the educational & training programs related to Money Laundering Prevention and laws and regulations concerned and related to banking tellers' legal responsibilities for a certain number of hours as specified. Through such efforts, newcomers will be able to orient themselves to the laws and regulations as well as responsibilities concerned.

(II) On-the-job educational & training programs:

1. Initial publicity of laws: After the Money Laundering Prevention Act was put into enforcement, the publicity of laws shall be completed within the shortest possible period of time so that the bank staff members will orient themselves to the Money Laundering Prevention Act and the laws and regulations concerned. In the event, the coordinating measures to be launched by the Bank shall be made known to all trainees. After the department in charge of the Money Laundering Prevention affairs completes the training plan, such department shall submit the planning results to the unit in charge of training and the educational & training programs may be carried out accordingly.

2. Routine on-the-job training:

(1) The department in charge of tellers' educational & training programs shall

sponsor the educational & training programs concerned and make them available to all tellers. Through such efforts, bank tellers may beef up their powers of judgment on money-laundering prevention and may prevent possible violation of law.

- (2) The educational & training programs mentioned in the preceding paragraph may be consolidated into other educational & training programs as appropriate.
 - (3) For the Money Laundering Prevention related educational & training programs, the Bank shall foster and develop the trainers and instructors. In addition, the Bank may retain experts, scholars from the Ministry of Justice, Ministry of Finance, Financial Supervisory Commission, Executive Yuan, universities and colleges or other institutes to lecture the tellers.
 - (4) In the Money Laundering Prevention related educational & training programs, the Bank shall provide courses about laws and regulations concerned as well as the hands-on examples. Through such efforts, the tellers may become fully aware of all possible practices of money-laundering so that they will discover the “alleged money-laundering” during the routines.
 - (5) The departments responsible for teller training shall faithfully look into how tellers participate in the Money Laundering Prevention related educational & training programs. Meanwhile, they shall urge all tellers who have not completed the training courses to complete the educational & training programs as the actual requirements may justify.
 - (6) In addition to the in-house educational & training programs, the Bank may, as well, assign tellers to receive outsourced educational & training programs outside.
3. Project lectures: To make tellers better aware of the Money Laundering Prevention Act, the Bank may sponsor project lectures and workshops where scholars, experts will be invited to lecture tellers.

V. Incentives to tellers who are outstanding in performance in Money Laundering Prevention:
A teller who proves to have made contribution to money-laundering prevention with concrete facts shall receive award as appropriate:

- (I) Where a teller notices an alleged offense in money-laundering and duly declares in accordance with the Money Laundering Prevention related laws and regulations and thus makes remarkable contribution to the police, prosecutor authorities in cracking down upon crimes.
- (II) Where a teller participates in the Money Laundering Prevention related educational & training programs at home or abroad and makes prominent achievements, or searches and obtains valuable data regarding the laws and regulations concerned prevalent in foreign countries which prove valuable and conducive to banks in the money laundering prevention activities.

VI. These Points for Attention shall come into enforcement after being resolved by the board of directors (or the unit of authority in the delegation of responsibility) and shall be reported to the Financial Supervisory Commission, Executive Yuan for information. These Points for Attention shall receive reassessment every year thereafter. The same efforts shall be made upon amendment.