

Asia Market Intelligence

Taiwan

Presence

In Taiwan, the HSBC Group's history dates back to 1885, when the Hongkong and Shanghai Banking Corporation Limited appointed an agent in Tamsui, with a full branch being established in Taipei in 1984. In March 2008, HSBC successfully completed the acquisition of the business and operations of a local bank, The Chinese Bank. As a result of this acquisition, HSBC's island-wide branch network has increased from 8 to 44.

HSBC is the first foreign bank in Taiwan to obtain government approval to provide electronic banking services. Through an international network linked by advanced technology, including a rapidly growing e-commerce capability, HSBC provides a comprehensive range of financial services. These include personal financial services, commercial banking, corporate, investment banking and markets, private banking, trade services, payments and cash management, insurance, consumer and business finance, pension and investment fund management, trustee services, and securities and custodian services.

Population:
22.97 million (July 2007 est.)

Total Area:
35,980 sq km (including the Pescadores, Matsu, and Quemoy islands)

Currency:
New Taiwan Dollar (TWD)

Capital:
Taipei

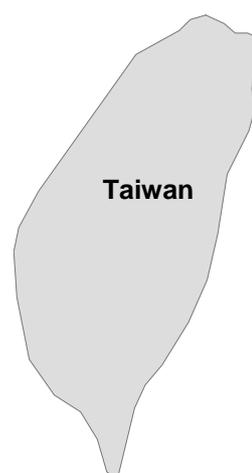
Major Languages:
Mandarin Chinese, Taiwanese (a Fujianese-based dialect), and English

Time zone:
GMT +8 hrs

Central bank:
The Central Bank of Taiwan

Gross Domestic Product:
695.4bn total (2007); 5.7% real growth rate (2007); 30,126 per capita (2007)

Inflation rate (consumer prices)
1.8% (2007)



HSBC 
The world's local bank

Clearing Systems and Payment Instruments

There are three major local currency clearing systems in Taiwan: the cheque clearing infrastructure for paper-based payments (TCCH), Financial Information Service Co. Ltd (FISC) and the automated clearing house (ACH) for electronic payments:

Clearing system	Comments
TCCH	Local currency paper-based cheque clearing system, which is operated by the Taiwan Clearing House (TCH) with three major cheque clearing centres and 12 clearing branches throughout Taiwan. For cheque clearing, the TCH uses magnetic ink character recognition (MICR) technology in the clearing process. The process is automated in Taipei, Taichung and Kaohsiung. Local cheques are usually printed in Chinese. It normally takes two working days to clear a cheque drawn in the same city, and five to seven working days to clear a cheque drawn in another city. Post-dated cheques (PDCs) are commonly used for payments as well as credit instruments, since most local banks provide PDC discounting services.
FISC	A multi-purpose interbank electronic fund transfer system, developed and operated by the FISC to allow banks to share common resources, exchange financial information and implement the overall automation of financial services. The system is Chinese character-based and provides TWD same-day value interbank transfers. Included in the FISC system are several other sub-systems, such as the shared cash dispenser/automated teller machine system, Interbank Remittance System, and the Financial Electronic Data Interchange System. The most widely used system is the Interbank Remittance System, with a total of 107 financial institution participants. FISC allows real-time transfer of funds between client accounts maintained with banks. It is used to settle all kinds of wire transfers, both low and high value.
ACH	An automated clearing house operated by the TCH that is used to settle low-value/high-volume electronic payments in batches. ACH allows for the direct electronic debiting and crediting of individual and/or corporations' banking accounts. Because of this feature, ACH is normally used for payment/collection of utility bills, payment of salaries, insurance premiums and cash dividends. Bank customers send a list of account entry transactions to the originating bank for processing. The originating bank then transfers the transaction data to the TCH, which clears the debits and credits by the receiving bank, then transmits the balancing statements to the central bank for settlement. The clearing time is two days for debit transfers and one day for credit transfers, with funds available on the next banking day.

Under CBC regulations, withdrawals from current accounts can only be made by issuing a cheque.

Banking System and Bank Accounts

- The Central Bank of the Republic of China (CBC) is responsible for monetary policy and foreign exchange (FX) regulations, ensuring the sound operation of banks in Taiwan and exchange rate stability.
- The banking industry in Taiwan is currently undergoing considerable merger and acquisition; specifically foreign banks have been active in acquiring local banks.
- Documentation required for opening bank accounts in Taiwan is not particularly onerous and includes standard items such as the company's business licence and certificate of registration.
- The following types of bank account are currently available:

Account type	Local current	Local savings	Foreign current ²	Foreign savings
Resident	Yes	Yes	No	Yes
Non-resident	No	Yes	No	No ¹
Credit interest	No	Yes	No	Yes ¹

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1. Restrictions on non-residents opening foreign currency savings accounts in domestic banking units apply.

Cash management products and services at a glance*

INVESTMENT PRODUCT	TRANSACTION MANAGEMENT		LIQUIDITY MANAGEMENT
	PAYMENTS	COLLECTIONS	
<ul style="list-style-type: none"> Local currency/foreign currency savings accounts Local currency/foreign currency time deposits Other approved treasury products 	<ul style="list-style-type: none"> Cheques payable at par on HSBC and correspondent bank locations Local electronic payments via FISC/ ACH Demand drafts Cashier's order Cheque Outsourcing Outward foreign currency remittances via SWIFT Payments Advising 	<ul style="list-style-type: none"> Local and outstation cheques collection autoPay-in via ACH Local currency cash/cheque pick-up services USD cheque collection Pay-in via convenience stores Pay-in via alliance banks counters Inward foreign currency remittances via SWIFT 	<ul style="list-style-type: none"> Overdraft facilities In-country local currency pooling

* Cash management services are also delivered via HSBCnet, HSBC's web-based banking system.

Alliance Network

- For cash collection, HSBC has established an island-wide alliance network, which covers more than 10,000 cash deposit points. The strategic alliance for cash deposit service includes four local banks: Postal Remittance & Saving Bank, First Commercial Bank, Chang Hwa Commercial Bank and Hua Nan Commercial Bank; and four of the major convenience stores: 7-11, Family Mart, OK Mart and Niko Mart.

Name	BANKING INSTITUTION				CONVENIENCE STORE OUTLET			
	Taiwan Post Co.	FCB	CHB	HNCB	7-11	FamilyMart	HilifeMart	OKMart
Branch	1,321	177	166	163	4,378	2,567	1,267	860

Legal, Company and Regulatory

- Apart from the CBC, the other major regulatory authority is the Financial Supervisory Commission (FSC), established in 2004 with a view to consolidating the supervisory responsibilities of banking, securities and insurance sectors in Taiwan. The four bureaus under the FSC are the Banking Bureau, the Securities and Futures Bureau, the Insurance Bureau and the Examination Bureau.
- The main laws governing financial institutions include the Banking Act, the Securities and Exchange Act, the Futures Trading Act and the Insurance Act.

Liquidity, Currency and Tax

- TWD cash concentration services with savings accounts and current accounts with overdraft facilities under the same entity or group entities are allowed, subject to regulatory approvals and relevant restrictions. Only notional pooling in TWD is allowed by law.

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- In terms of restrictions on liquidity management, automatic sweeping of funds between accounts is not permitted, while cross-currency and cross-border cash concentration is not feasible due to regulatory constraints on foreign exchange conversion, and tax and accounting considerations.
- TWD and foreign currency fixed-term deposits are the most popular investment instruments for surplus liquidity. The tenor of these can range from one month to up to three years, or even longer for TWD. For foreign currencies, tenors range from overnight up to usually a maximum of one year. Simple interest is paid at maturity. A 10% tax is withheld from interest paid to residents while 20% is withheld from non-residents.
- Overnight deposits in TWD are not available (although they are available in other currencies) and the alternative of bond funds is not popular due to credit risk considerations. Commercial paper under a repurchase agreement (repos) is a popular instrument due to the flexibility in tenor.
- A variety of regulations apply to FX:
 - Under the CBC current FX regulations, settlement of foreign exchange against the TWD and vice versa are categorised as follows:
 - FX receipts from the export of goods or provision of services;
 - FX disbursements for import of goods or services provided by non-residents; and
 - FX receipts/disbursements from other sources, such as investments, capital repatriation and dividends.
 - Trade-related FX (categories 1 and 2 above):
 - There is no limit to the amount of FX settlement against trade-related transactions, as long as the supporting documents are provided to the FX bank at the point of settlement. Eligible supporting documents include letters of credit, documents against acceptance/payment invoices and sales/purchase contracts.
 - Non-trade-related FX settlements (category 3 above):
 - The limits for settlement of non-trade related foreign exchange are as follows:

Entity	Settlement of FX receivables	Settlement of FX payables
Taiwan registered business	USD50m	USD50m
Taiwan individual residents	USD5m	USD5m

- Foreign nationals without an alien resident certificate and overseas entities not registered as businesses in Taiwan are allowed to convert between TWD and foreign currencies but are subject to a limit of USD100,000 or equivalent per transaction.
- All conversions of foreign currencies into TWD or vice versa are subject to CBC reporting and declaration requirements. FX conversions of TWD500,000 or more must be reported to the CBC by completion of a standard CBC declaration form. In the case of companies, the declaration form must be completed with the company's official seal(s). For corporates, supporting documents such as invoices or the agreement or approval letter issued by the government are required when the deal amount is in excess of USD1m.
- The following is a summary of the rules governing corporates/institutions:

Amount	FX declaration form	Supporting documents
Less than TWD500,000	Not required	Not required
Less than USD1m	Required	Not required
Equal to or larger than USD1m	Required	Required

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- The detailed implementation of the basic FX/conversion-related regulations outlined above may still be subject to CBC's interpretations.
- Corporate income tax in Taiwan is levied at 25%. There is a withholding on dividend payments of 20%. Interest paid on foreign currency deposit accounts opened by non-residents with an offshore banking unit (OBU) – see www.banking.gov.tw/public/Attachment/4121316115771.doc – is not subject to income tax. However, TWD accounts are not available from OBUs.

Market Watch

The government is keen to make Taiwan an attractive regional centre for multinational companies and to that effect is reviewing the current tax regime.

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Banking hours:

Mon – Fri

9:00am – 3:30pm (business hours)

8:30am – 5:00pm (office hours)

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