

j. Items concerning the implementation of Internal Control System which should be disclosed

1. Internal Control Statement

Taishin Financial Holding Co., Ltd.

Statement of Internal Control System

March 29, 2018

Financial Supervisory Commission,

On behalf of Taishin Financial Holding Co., Ltd.(the Company), we hereby declare that, for the fiscal year of 2017, the Company has established internal control policies and implemented risk management system in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries". These policies and practices were also inspected by the independent Audit Division which reported regularly to the Company's Board of Directors and Audit Committee.

Following our diligent assessment, we concluded that the Company's internal control, legal and compliance practices for the fiscal year of 2017 were implemented effectively, except for the items listed on the attachment. This statement will constitute part of the company's annual report and prospectus and will be publicly disclosed.

We understand that we are legally bound to the "Securities and Exchange Act" Articles 20, 32, 171, and 174.

Sincerely yours,

Chairman:

吳東亮 

President:

林維傑代 

Chief Auditor:

蔡孟峰代 

Compliance Officer:

蔡如良 

Taishin Financial Holding Co., Ltd.

Improvement Plan of Internal Control System

Base Date: 2017.12.31

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin International Bank(TSIB)		
Know Your Customer activity before selling mutual fund to customers was incomplete.	<ol style="list-style-type: none"> When updating "KYC Data and Investment Sheet", staffs are required to have customers fill out all the items in the "KYC Data and Investment Sheet" with duly signed confirmation. The documents shall be properly filed after being reviewed by supervisors. Relevant audit and control systems were established and effective in March, 2017. 	Completed
The procedures for granting personal loans should be improved.	The system of profit and loss estimates was launched in Dec, 2016.	Completed
The process for conducting Ting Sing Group credit extension should be improved.	<ol style="list-style-type: none"> RM's understanding on the group operation was strengthened and the management of bills collection was enhanced. Credit checking and KYC processes continued enhancing, to avoid similar from happening again. An internal notice for improving credit administration has sent to relevant business units in March, 2017. 	Completed
The process of conducting derivatives transactions was flawed.	<ol style="list-style-type: none"> An internal notice was sent in Apr.2017 to remind of requesting company's financial reports for derivatives transactions. The deficiencies related to the board meeting records have been further addressed, in accordance with our internal regulations of credit extension. 	Completed
The supervision and management for the subsidiary, Taishin D.A. Finance needs to be improved.	The plans for correcting the defects inspected by the Financial Supervisory Commission and plans for improving business operation and financial performance have been reviewed by the board. Shall there be a significant deterioration in its financial and business conditions, Taishin Bank will monitor its follow-up implementation according to the plans.	Completed
The system and control mechanism for conducting structured commodity transactions and AML/CFT operations need to be improved.	<ol style="list-style-type: none"> The revision of structured product risk assessment regulations was completed in Nov, 2016. Improvements on anti-money laundering and countering the financing of terrorism operations: <ol style="list-style-type: none"> AML/CFT team was established in Jan, 2017 and the team reports to the board of directors on "Money Laundering and financing of terrorism Risk Assessment Reports" on a semi-annual basis. The AML/CFT team is under the oversight of board of directors and senior management. The newly released ML/FT typologies report has been closely examined, and "AML Suspicious Reporting System" was implemented in Dec, 2016. AML trainings are provided to employees periodically, and all business units are required to conduct a complete KYC process in order to verify and determine the legitimacy of clients' transactions. 	1.Completed. 2.Completed.
Taishin Securities Co., Ltd(TSS)		
Upon the special inspection of CB asset swap transactions made by Far Eastern International Bank, Financial Examination Bureau found a defect by Taishin Securities Co.,Ltd.	TSS amended related rules and internal control system. Strengthened internal management through reiterating regulations and conducting staff training.	Completed
The items of "customers unwilling to provide information", "the same address, telephone or e-mail address from different customers", "involved in negative reports", "the total number of securities accounts including agency accounts", "identified as a company with dormant shareholders or issuing bearer share certificates "or" multiple trading accounts under the same person or enterprise group" are not included in the "Money Laundering and Terrorism Financing Risk Assessment Computation Table".	TSS amended the "Anti-Money Laundering and Countering Terrorism Financing Act" to include the mentioned suspected Money Laundering patterns as a basis for classification of customer risk.	Completed
Taishin Securities Investment Trust CO.,LTD(TSIT)		
The following issues related to internal control system of AML/CFT should be strengthened: <ol style="list-style-type: none"> Defects on when accepting legal person's account opening, the financial institution shall check the legal person's real beneficiary and whether it has issued the bearer share certificate. Without setting up the operating procedure of inspecting and monitoring people related to the negative news, and furthermore, without comprehensively analyzing whether this shall be reported or not. 	<ol style="list-style-type: none"> Already adopted the reasonable measure to verify the real beneficiary and to realize if it has issued the bearer share certificate. Already set up the major event operating procedure of inspecting media reports, and will determine whether to report or not based on comprehensive analysis after executing relative monitoring procedures. 	1.Completed. 2.Completed.