

Natixis

A: Man from FSC

B: Frenchmen and ladies

Time	Voice	Content
0:00	A	Before the pre-review, you have to prepare many documents for our review. Please get them prepared as much as possible and email your draft to me by batch and I will give you feedback to your email group, which will consist of at least three of you who understand Chinese. Ask me for any question before the pre-review.
	B	We need not to send in the formal documents at one time. We can ask him to review our draft before the official review sessions by Financial Supervisory Commission (FSC).
	A	<p>The entire process include the pre-review, submission, review, approval, and other procedures. Then, you can apply for the license, and wire to the designated bank a designated fund of about NT\$250 million. Then, there may be some trivial procedures to go through. In fact, the process can be quite simple, not so complex. If you can have all the documents well prepared, the process can go smooth and quick.</p> <p>To speed up our dialogue, I will speak in Chinese most of the time and explain to our French gentlemen in English from time to time on those key points.</p> <p>We like to know your viewpoints on a number of key points. In the case of BPA, a Spanish bank, its Taipei Branch has lost money for 3 to 4 years. We are worried that the same thing may happen to your bank. After all, there are 27 foreign banks in Taiwan, and the market is somehow saturated and competition is intensive. We are afraid there is not too much room for you as you expect. That is why you must tell us why you want to come to Taipei and what and how much niche you have. Frankly speaking, BNP Paribas is a good bank in wholesale, retail, and many other products and services but it still lost money in Taiwan. Amy Yang was from BNP Paribas. So, you must answer this important question of why you want to come to Taipei, stressing your competitive advantages.</p> <p>The documents you prepare do not necessarily for our reference only. They are also good for yourselves to review how much you understand the Taiwan market. You may feel some questions are related to macro economy and even feel like a CIA country analysis, but it is a good way to show us how much you understand Taiwan.</p> <p>OK. Let's begin to look into the annexes.</p>
	B	He has just told us the key is for us to explain the reasons why our bank wants to come to Taipei. Next, he will brief us on how to prepare the documents, but we will not

		interpret from now on to speed up the conversation.
	A	<p>Let's see the first document. The first page will look like this. You can get a copy from our website and then answer all the questions one after another.</p> <p>Annex 1 concerns your feasibility study. Please state the reason why it makes sense for you to come to Taiwan. What is your operational strategy? What businesses will you be engaged? How will you position yourself in the market? What business model will you adopt? I have noticed that you have an interesting business model in Vietnam, where Natixis has branched out the retail banking to a subsidiary and concentrates on CIP.</p> <p>Please also tell us your strategies in Asia, including its changes. Why I mentioned this is because last time when your colleagues were here, they mentioned the Chinese market and stressed Natixis would focus mainly on the Chinese state-owned companies, energy sector, and mining industry, which have, however, caused the most serious problems in China. I am worried whether you will infer the same strategy in China to other countries in Asia. So, please tell us your business models and operational strategies in each Asian country, like Vietnam, Indonesia, China and so forth.</p>
	B	Do we need to write all of them?
	A	Yes, please mention them roughly, not in detail. We would like to get a general idea of your operational strategies and business models in Asia and Europe.
	B	Last time, when Alivia and _____ were here, he mentioned that we are in China targeting on state-own companies, energy and commodity market. However, those markets are so not good, and he is worried that we may apply the poor strategies in Chinese market to Taiwan.
	A	<p>Not exactly, what I questioned was whether your business model in Chinese market will work out in the long run. I did not say you will do business in Taiwan in the same way. What I want to know is your business models and their rationale behind in different countries, like in your won motherland, in Europe, in Taiwan and in Asia. You know, Asia is a very diverse market. Even the languages we use in Taiwan, Hong Kong, and China are somewhat different. So, in your feasibility study, you need to show us how much you understand Taiwan, including its political situations, its economic situation, its relationships with China, and its banking system.</p> <p>In the next chapter, you need to tell us what you know about Taiwan's banking system. You may feel strange why I ask such a question. Don't I know Taiwan's banking system? Of course, I am quite clear about the banking system and its situations here, but I need to know how much your branch in Taipei understands Taiwan's banking</p>

		<p>system, including its legal system, taxation, foreign exchange control system, its banking system.</p> <p>Finally, please do some analysis on your Taipei branch's profitability, why this branch is commercially viable, analysis on your competitors, SWAT analysis, your strengths and weaknesses. For example, we had doubted the viability of BNP Paribas at first but decided to approve its application to set up its branch in Taipei because it showed us it had an outstanding strategy to run business in South America, although BNP Paribas Taipei Branch has been losing money in recent years and may run into trouble someday.</p>
	B	<p>One important point we must include in our report is the analysis of why our Taipei Branch will be commercially feasible. He also mentioned that BNP Paribas Taipei Branch was approved because it had been very competitive in Latin America. So, it is important for us to show to FSC how competitive our Taipei Branch will be relative to our competitors.</p>
00:20:00	A	<p>Finally, please tell us who your potential clients will be, what your business goals are, what interest and benefits you can bring to Taiwan (such as hiring and training of local talents), and whether you will set up your Taipei Branch as a branch with full function or only a representative office and a selling point. Amy has told us you adopted a half strategy in Taipei with the other half in Hong Kong. I hope your bank can be a branch here with full functions including front-end, mid-end, and back-end functions.</p> <p>Deutsche Bank is only a selling point in Taiwan and has run into a dilemma for its future direction, as the president of Deutsche Bank can't control his sales agents.</p> <p>Come back to your case. For your Taiwan Branch, please tell us your niche, your commitment to Taiwan market, your operating strategies, including those of your headquarters, which means Natixis, not the BPCE Group. But please also describe briefly the visions and strategies of the BPCE Group and the positioning of Natixis under such visions and strategies. As I know, Natixis is assigned to do CIP.</p> <p>Then, you need to mention how you will face the legal aspects. Julia has just mentioned that your business models have undergone some changes. I hope you will have one chapter to address those changes.</p> <p>Then, tell us Natixis' point of view on micro-economy, global economy and Asian economy and maybe French economy, if you like. Why I want such information is because I am worried about your China's business model targeting at the state-own companies. China will not change its systems for bankers in the recent years. If your</p>

		<p>strategy is like that, I am afraid it may not be a good idea. Remember that TPP asks for international reform. If China has any chance to join the TPP, China must reform and globalize itself and your strategy in China will definitely need to change. Analysis on micro-economy is the foundation, based on which you build up your business model, your strategy and specific tactics. In sum, I need to know the rationale behind your business plan. Then, please tell us the relation between the BPCE Group, the Natixis Bank and China. How many Chinese stakeholders in your organization? Do you have any major qualified holdings in Chinese companies, especially in Chinese financial institutions? For instance, BPA has an important holding in China, and BPA told us so. Also, we need information about your holdings in China, and provision of this information will not impede your application to enter Taiwan.</p>
	B	Is this concerned with only the BPCE Group, not Natixis?
	A	No. Both Natixis and BPCE. When I say “in your organization”, I mean the group-wide organization. BPA told us it has formed the City Group in China, and we keep it in record. That is all. But we must have such information.
	B	Is this the proposal from BPA? Oh, it is. It was prepared at the beginning of the application process. It is an operational book from BPA.
	A	<p>Then, predict the future of Taiwan, including its political, economic, international trade situations, the challenges Taiwan will face, the relation between Taiwan and China, etc. The purpose is for you to show us how much you understand this market in Taiwan and educate us from your prospective as a French national or an organization outside of Taiwan. For the banking system in Taiwan, you need to show how much you understand the local legal system, taxation, etc. You may download materials from the Internet for reference, and you don’t need to write a perfect essay on all of these. We only want to know you have some general ideas on the future of this country. Also, write something about our tax system on the portion concerning you.</p> <p>Then, the Deposit Insurance System. Yes! What Deposit Insurance System Natixis adopts? The European Deposit Insurance System or the French domestic system or both?</p>
	B	Natixis is governed by both European and French laws. Thus, European Deposit Insurance System is applicable in some levels and French domestic system is applied in other aspects. We can explain this clearly in our proposal.
	A	<p>The key point is who will pay the bill for Deposit Insurance System.</p> <p>Then, the profitability analysis for your Taipei branch. How much money your Taipei Branch may make? Where will the profit come from? For instance, when making its application, the BPA, a Spanish bank, said that the interactions between Taiwan and</p>

China would bring in a great business potential for its Branch in Taipei. For your own Branch, it seems to me that they told you to target on corporate financing and structured products.

Finally, please make an analysis on your competitors. Then, tell us the current transactions between Natixis and your Taiwanese clients. I know you chairman will come over tomorrow to visit clients, meaning that you have already had some clients in Taiwan. BPA gave us very detailed information, even including SWIFT telegram contents to show their actual transactions. Your Amy only mentioned that you may make referral of your clients to Hong Kong, but did not tell us what kind of “actual” performance you may make in Taiwan.

Then, tell us who your future clients will be and their attributes and the standing of your Taipei Branch in the global market.

Affix 2 focuses on the profile of Natixis and your parent company. We need to know both the BPCE Group and Natixis, because the BPCE Group is a giant but Natixis may be less influential in terms of market power when compared with other wholesaler banks. This is my wild guess and may not be the real case. Please tell us the historical development of Natixis and the relationship with BPCE. Please first brief us on the BPCE Group, including such information as BPCE’s major shareholders (i.e., BP and CE), the current financial and business status of BPCE, and the establishment of Natixis. For Natixis, please mention its overseas expansion history, its main subsidiaries around the world, its key representative offices. Also tell us how the BPCE Group operates, how the BPCE headquarters manages its group members and how Natixis headquarters manages its subsidiaries and branches. For instance, at the time of application, the BPA told us it had set up the internal control system for its business operations, its risk management, its financial situations, its subsidiaries and so forth. Please provide this kind of information in general, not necessarily in detail.

Then, tell us what businesses the BPCE Group is engaged in. Please describe them by location, such as Europe, the USA, Asia, and so forth. I know you have operations in Vietnam and Indonesia. I don’t know whether you have operation in Thailand or not. Oh, yes, you do.

Then, tell us the source of income from each region or country. Your company has 16,000 staff and 600 of them are stationed in Asia. So, we would like to know how many percentages of sales are coming from Asia. 5%, 10%,....Wow, more than 10%,

		<p>that is amazing. 600 employees out of 16,000 are making more than 10% of sales. We need to know your performance in each region and country.</p> <p>Then, your balance sheet in the past 3 years. Do some year-over-year analysis on assets and liabilities, centering mainly on Natixis, and partly on the entire BPCE Group. Please don't focus too much on the BPCE Group, because there are too many elements, such as BP, CE, insurance companies, which may confuse us.</p> <p>Then, your income statements in the past three years and their analysis.</p> <p>In Annex 2, please also tell us your key responsible persons, including your chairman, directors of the board, your CEO, etc. Please make a list of some important persons and attach their resumes. Another key point is that your top 10 major shareholders must be listed down and introduced. I think I had better explain a little bit here. Take BPA as an example. Its top 10 major shareholders are composed of 8 custodian banks, or representatives of mutual fund holders who do not have the voting rights. In your case, I note that BPCE owns 72% of stakes in Natixis and the rest 28% are owned by security firms. One thing special is that BP and CE are cooperative banks. In other words, BP and CE are your shareholders and clients at the same time. It is rare in Taiwan.</p>
	B	<p>He has just mentioned that BP and CE are our shareholders and clients at the same time, a rare case in Taiwan.</p>
	A	<p>It is amazing to me that cooperative banks in France can grow so big. In contrast, cooperative banks in Taiwan are small grassroots banks in the neighborhood that know their clients and even family members of the clients by name. It appears romantic to me that your cooperative banks in France are a kind of right-wing socialism. So, it is important that you list down your top 10 shareholders and give us some introduction.</p> <p>We have too much to discuss. If we miss something, please email or call me whenever you have questions. The email group should include at least three of you and others. I will write email in Chinese and you three please help interpret it to your concerned colleagues.</p>
	B	<p>We will provide a name list for the email group, which may include persons from the legal department.</p>
	A	<p>What kind of transaction platforms are you going to use in Taiwan? What financial infrastructures you have in Europe? Will you use SEPA, a payment system, in Taiwan? Anyway, we want to know what infrastructure you will use. What are your comments on Fintech, financial technology? I know your bank targets on high-end clients, so tell</p>

		<p>us what Fintech you are going to use. As France is the home country of FETA, a money laundering organization headquartered in Paris, we would like to know your view on this, too.</p> <p>Then, your regulatory supervision unit. Julia has mentioned Natixis is supervised by a joint team formed by ECB and ACTR. Please tell us what roles ECB and ACTR play and how they divide their supervision work. Then, the supervision model of ECB and ACTR.</p>
	B	One is for banking and the other for securities.
	A	<p>Finally, tell us how EU and France view foreign banks entering into Europe and/or France. In fact, Taiwanese banks are reluctant to go to Europe and/or France, because there are few Taiwanese businessmen. Taiwanese banks have to follow the steps of Taiwanese traders. That is why many Taiwanese banks go to China. Although Taiwanese banks may not go to Europe and/or France, we hope to learn how foreign banks are supervised in EU and France.</p> <p>Annex 3 concerns ranking of your bank in the world. What are your ranking in the Bankers, the SMP, the Moody, etc.? How your bank is rated by the media? I have traced your research reports for quite some time. For example, one of your papers said that China will not be the world factory, which will be transferred to the Southeastern Asian countries, especially Vietnam. That is why I raised questions about your China strategy. In fact, what I am trying to say is that I have been deeply involved in your project and would very much like to see it through successfully.</p> <p>Annex 4 concerns compliance audit of your business operations. Please provide us your own self-assessment reports. Have your bank violated any laws and regulations in the latest 5 years? Have you got any sanction from regulatory bodies in Europe in the past 5 years?</p>
	B	Yes, Natixis got one sanction for a market abuse case in 2010. But at the time when we submit our application, it will have already passed the 5-year time limit, so we don't have to mention it in our proposal. Secondly, the issue is with the French market authority, not the banking supervisory authority. They are two different regulatory bodies for insurance and banking, respectively.
	A	<p>Ok. You don't have to mention this issue if it will have passed the 5-year time limit requirement at the time of your application.</p> <p>Then, scandals like money stealing or bank robbery, etc.</p>

		<p>For self-assessment papers, please tell us whether you comply with the regulations in France in the past 5 years and whether your capital adequacy ratio meets the regulation. The self-assessment papers must be signed by authorized persons and notarized.</p> <p>For notarization, the authorities concerned are the Ministry of Foreign Affairs of ROC and French Embassy in Taiwan. You need to get certification from both sides.</p>
	B	<p>One question regarding bank capital adequacy ratio certification. CPA in France cannot certify such a ratio. (Long pause for reading a certification document by Spanish CPA) Well, CPA in Spain can do that. Maybe we can find a way out.</p>
	A	<p>If you don't have an access to such a document, please let me know as soon as possible. I will try to find out an alternative.</p>
	B	<p>We don't have to prepare documents in specific order and we can submit drafts to you, right? For example, we can send you the drafts of annex 1, and then annex 3 when it is done. Sequence is not required.</p> <p>Another question is about the certification of our outsourcing operations. The authority to certify the documents is based on Hong Kong, and thus it takes time to have the certification prepared. Do we need to submit those certifications at the time of application to set up the branch?</p>
	A	<p>No, you don't have to submit certifications for outsourcing operations as long as they are not your branch. But it is important that you tell us your outsourcing plans. Please do mention the names of outsourcing contractors in your business plan, so that we know what function your branch will keep in Taipei and what functions will be outsourced to Hong Kong or somewhere else.</p>
	B	<p>For additional licenses not within the scope of branch license, can we apply for them together with the branch license at the same time?</p>
	A	<p>I suggest we keep it simple. For example, the review for advisory licenses will be carried out by another bureau, which is Bond Agency and the application process for Directive license for offshore banking units is very troublesome. Thus, I would suggest working it out step by step.</p>
	B	<p>So, it is better that we apply for the licenses separately.</p>
	A	<p>Those basic functions for a branch operation will be listed in the branch license. Please visit our website to check other licenses that you may need. Do not worry. Basic things for your branch to survive will be there in the branch license. You can apply for additional licenses step by step when you feel the need.</p> <p>Let me make it clear. If you want to apply the directive licenses for your offshore</p>

		banking units, you have to present your branch license to the Central Bank but you don't have your branch license yet. So, the first step is to get the branch license and go to the Central Bank later. I forget the correct name of the license for this consultation business but the application process is complicated. Anyway, you cannot get the directive license at the very beginning. Again, the first step is for you to get the branch license.
	B	Are we able to apply for the license for our offshore banking units at the same time when we apply for a branch license?
	A	Yes, it is your call. You make the decision. According to my experience, many foreign banks applied for licenses for their branches and offshore banking units simultaneously. At the moment, I will check it out for you.
	B	Applications for both branch license and OBU license need the authorization of foreign exchange from Central Bank. Therefore, I think it is good to apply for both at the same time.
01:13	A	I got your point. You are right. You need to go to Central Bank to apply for license for FX business, which is not within our jurisdiction. Annex 5 focuses on the approval certificates from regulators. Maybe, it is the ECB that will rectify the approval of BPCE in January next year. We will need that approval document. Do you need to get the approval from ACPR?
	B	ECB is the only regulatory body for such an approval. ACPR is related to local affairs. AMF is a body in charge of security. It is a complicated mechanism, but we provide information to you.
	A	Please give us the approval letter issued by the competent authorities. In this letter, some topics must be covered, like the legal base for the supervision, the proper supervision of Natixis (including BPCE, the parent company) by the competent authorities. We are the receiver of the letter which assures us that Natixis (including BPCE) is operating normally, has not significantly violated any regulation in the past 5 years, and is financially sound. This kind of letters must be notarized.
	B	Regarding notarization...
	A	Sorry, the letters do not need to be notarized. Your self-assessment reports must be signed by someone like Auditor in General or General in Auditor. I don't know the exact name in English but it is 會計長 or 審計長 in Chinese. This person must present a power of attorney to prove he or she has the power to issue such a letter.
	B	Can the Board of Director pass a resolution to act as a power of attorney?
	A	Yes, it also works.

		<p>Annex 6 shows the letter from ECB, the regulatory body. Please also tell us the scope of supervision covered by ECB and ACPR. Make sure the letter is only issued by the ECB, because ACPR does not promise to cooperate with us for the supervision of your Taipei Branch.</p> <p>Annex 7 is for the profile of the first CEO in your Taipei Branch, including his or her education background, work experience, personal information, professional training, etc. In addition, another letter must be issued by Natixis to proclaim that the CEO has not violated this or that law and regulation. Natixis headquarters also needs to issue another certificate to tell us that the CEO and/or the top managers are assigned to Taipei Branch, specifying their assigned posts and scope of responsibilities. For example, the letter may specify that Amy Yang is assigned to be manager of Taipei Branch and aside from the title mentioned above, Amy Yang does not hold any other position or is not involved in any other responsibilities outside the Bank, etc. please have this letter notarized at the place of issue, like Hong Kong.</p> <p>Then, please prepare your branch's business plan, which you have submitted to us once, including market strategy, management models, analysis of global economy, scope of operations, organizational structure (front-desk, back office, branches, whole banking, retail banking), your positioning in the global market, your matrix system (like the CEO in Taipei Branch must report to someone in Hong Kong and in France), the reporting system, Internal control system, audit system, and so forth.</p>
	B	Many documents will be prepared by our lawyer. We will include him in the email group. Can he contact you directly?
	A	No problem at all. Your lawyer can contact me directly, but ask him to read the instruction very carefully to really understand what can be outsourced and what cannot. As I know many foreign banks outsource their network system but risk management cannot be outsourced.
	B	It is important for us to know what can be outsourced and what cannot. Supervision is different from outsourcing. Our headquarters must supervise our operation. That kind of operation is different from outsourcing.
	A	<p>Please draw graphs and/or flow charters as much as possible to show us what and how you outsource your operations, from which we can expect what may happen next. For instance, Deutsche Bank has been outsourcing everything step by step, and we know what the end result would be.</p> <p>For banking information, please include pro forma income statement and balance sheet</p>

		for the next 3 years. Rationale for the prediction for the micro economy, the B/S and I/S must be also included. I know these reports will be prepared by the CPA, so please add in your own comments and opinions, if necessary. Make sure everything is logical, and avoid conflict to each other.
	B	For the 3-year projection, we may apply for addition businesses on the course of time. Do we need to make projection for them, before they are materialized?
	A	<p>It is important for you to tell us how you will achieve the goals of your prediction. When you add a new business line, you need to add the same kind of projection.</p> <p>Then, your self-assessment. For example, when a black swine incident happens, how will you deal with it? However, you are advised to write “square and balanced” measures as those incidents may be extreme in the sense of statistics.</p> <p>Then, your internal control system. I know most of you adopt the risk-based approach to manage your subsidiaries.</p> <p>Annex 9 concerns your board of directors’ consent to set up the Taipei Branch and please have the resolution notarized.</p> <p>Annex 10 concerns CPA certified year-end reports of 2015 (not in financial year base).</p> <p>Annex 11: the CPA certified B/S and I/S reports for the latest 3 years for Natixis Headquarters. Also have them notarized.</p> <p>Annex 12: Legal entity certificates/licenses/proof letters for Natixis Headquarters. Please have them translated into Chinese and notarized.</p> <p>Annex 13: Article of Incorporation of Natixis.</p> <p>Annex 14: Power of attorney for your legal representative in Taipei, who will apply for the branch license on behalf of Natixis. The power of attorney can be in the form of a resolution passed by the Board of Directors.</p> <p>Annex 15: Oath letter of legal representative in Taipei, which should show commitment to comply with the relevant laws and regulations in Taiwan and in France.</p> <p>Annex 16: Core business you want to operate in Taipei, which may not be included in your Article of Incorporation. Something like a special business plan for Taipei Branch.</p>

		<p>Annex 17: Mechanisms that Natixis will adopt if the Taipei Branch is in stress. This is a letter you will give to our Financial Supervisory Commission, in which you promise to give financial support to Taipei Branch when it is in financial distress.</p> <p>Finally, you need to remove your rented office when your new branch office is established.</p>
	B	<p>When can we start to recruit people here? You know there will be time gap between the actual operation of our Taipei Branch and when we need to hire talent. Should we get the branch license before we start to recruit employees here in Taiwan?</p>
	A	<p>I don't know. Job contracts are concerned with many aspects. I don't know whether you can recruit employees under such a pre-condition that he or she will be hired only if your Branch gets the approval. I suggest you ask your counterparts to learn of the practice.</p>