



Press Release

Taipei District Prosecutors Office

Release Date: Dec. 2, 2016

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**Mega Bank's former chairman of the board and other
defendants are prosecuted for insider trading, money
laundering, and violation against the Financial Holding**

Company Act

Mega International Commercial Bank's (hereinafter, the Bank) former chairman of the board Tsai Youtsai, the secretary general Wang ChiBan, and two other defendants were indicted by Our Office for, among other crimes, insider trading, money laundering, and breach of trust under the Financial Holding Company Act.

Other suspicious money laundering activities unveiled in this case are still under investigation.

Tsai, the former chairman of the board of the Mega Financial Holding (hereinafter, the Holding) who was appointed by the Ministry of Finance, and Wang, the secretary general, both have fiduciary duties to the MFH and its shareholders, and should act in the best interest of the Holding and its shareholders. However, they secretly initiated a private equity fund, ChienChi Management Consulting Company (hereinafter, the Company), in 2016 to compete against the Holding. Tsai and Wang, took advantage of their positions as Chairman of the board and secretary general, solicited capital from Runtex and Baojia conglomerates, both of which are the Bank's customers and have taken out significant loan from the Bank. Runtex and Baojia in total invested in the

Company for 25.8 billion NTD, whereas 5.8 billion of which was loaned from the Bank and approved by Tsai while he was a chairman of the board. Tsai and Wang were thus able to receive illicit profit of 225 million NTD in the name of annual administrative service fee for the year of 2016. Tsai and Wang also forged the Company's board meeting minute of February 24, 2016, as a part of the company registration documents which were later submitted to the competent authority on March 4, 2016.

To hide their illicit profits, Tsai and Wang laundered 180 million NTD (the 225 million NTD after tax) overseas to bank accounts owned by offshore companies under their control during the time from May to August, 2016.

Tsai and Wang foresaw possible positions changes after the political power transfer in 2016, and had continuously gathered trade secrets of the Bank. Tsai, after stepping down from the board of the Holding, went on to appropriate those trade secrets he collected by having them saved in his personal tablet on May 8, 2016. More importantly, while recognizing the consequences of the negative inspection report issued by New York State Department of Financial Service (hereinafter, NYDFS) against the Bank's New York branch, Tsai, in seek of a smooth career shift from the Holding and the Bank to the Company, never called a board meeting to discuss this issue. Rather, Tsai attempted to conceal the board of directors from the negative inspection results by simply sending a cover letter on behalf of the Bank to the NYDFS as a response to its negative inspection report.

By February 9, 2016, Tsai, Wang, and Huang, a manager at the New York branch, had been aware of the NYDFS' negative inspection report and the possible substantial fine may be imposed on the Bank. Tsai, Wang, and Huang, separately traded on this material nonpublic information by selling the Holding's stocks in their possession to avoid possible loss they might suffer once the NYDFS's report is disclosed to the public. The three thus successfully earned illegal profits by insider trading since the Holding's stock price plunged at the time the NYDFS consent order

of a 180-million USD (approximately, 5.7 billion NTD) fine against the Bank was disclosed.