

## *Abstract*

Under current competitive circumstances, the development of Taiwan's financial market will be bound to move forward in the direction of cross-sector business. In Taiwan, Legislative Yuan also has passed the "Financial Holding Company Act" in June 2001. With the passage of the act, it not only gives Taiwan's financial institutions authority to operate cross-sector activities, but also creates a trigger for financial institutions to become financial conglomerates in order to meet the objectives of financial modernization and globalization. Although financial institutions may diversify their business, additional risks may arise. Financial regulatory mechanisms have to adjust their function to ensure the safety and soundness of financial system.

Our competent authorities demand financial holding companies calculating their capital adequacy ratio on a consolidated basis, and enact "Regulations Governing the Consolidated Capital Adequacy of A Financial Holding Company." However, in this regulation, the ratio was calculated in simple aggregated method, and it is doubtful that such ratio is a good index to reflect consolidated capital requirement. Therefore, this thesis not only studies on related publications issued by international supervision organizations, but also introduces EU Financial Conglomerate Directive with regard to some supervisory issues (e.g. capital adequacy, intra-group transactions and risk concentrations etc.) and U.S. framework for financial holding company supervision. After investigating and comparing different models, this study tries to find whether current regulation is appropriate or not, and make some suggestions concerning the supervisory system in order to construct a sound financial market as a reference in our country.

**【Keywords】** : Financial Conglomerate, Capital Adequacy, Financial Regulation, EU Financial Conglomerate Directive, Regulations Governing the Consolidated Capital Adequacy of A Financial Holding Company