

## Order of Financial Supervisory Commission

Issue date: September 1, 2015

Doc. No.: Gin-Guan-Yin-Wai-Zi-10400192770

1. The offshore banking branch of a bank (hereinafter referred to as the "OBU") may conduct foreign-currency trust business for which their head office (or the branch of a foreign bank that was established when the foreign bank applied for recognition) has been approved by the competent authority to engage in pursuant to Subparagraph 11 of Article 4, Paragraph 1 of the Offshore Banking Act.

This provision applies when the OBU conducts business provided in Subparagraph 10 of Article 4, Paragraph 1 of the Offshore Banking Act by way of trust.

2. OBU conducts abovementioned business is not subject to restrictions set out in the Trust Enterprise Act, the Securities Investment Trust and Consulting Act, and the Futures Trading Act with regard to the following:

- (1) The types and scope of trust assets under management, allocation and disposal;
- (2) Qualification requirements for client classification;
- (3) Rules requiring that the product being reviewed, approved, filed for recordation, or effectively registered by or with the trade association or the competent authority; and
- (4) Rules for engaging in product recommendation, advertising, business solicitation and business promotion activities.

3. The clients of the business mentioned in point 1 shall be limited to clients outside the territory of the Republic of China, and unless it is otherwise approved by the competent authority, the investment targets of the business shall comply with the following rules:

- (1) The denominated currency shall not be in New Taiwan Dollars;
- (2) The underlying instrument shall not be exchange rate or interest rate index of New Taiwan Dollars, or any New Taiwan Dollar denominated product;
- (3) The investment portfolio shall not contain or link to any New Taiwan Dollar denominated product.

4. The following investment targets of the business may be exempted from the third item of point 3:

- (1) Offshore Funds provided that the ratio of each target's investment in Taiwan securities markets to its net asset value shall not exceed 50%.
- (2) Foreign currencies class of multi-currency funds, which include an NTD class, issued by Securities Investment Trust Enterprises.

The investment in foreign currency denominated international bonds (including RMB

denominated Formosa bond) may be excluded from the calculation of investment in Taiwan securities markets.

5. When conducting business provided in Point 1 herein, an OBU shall exercise due care and fiduciary duty of a good administrator by fully explaining to clients the important aspects of the product, service and contract and fully disclosing associated risks, and in addition, drawing up operating rules and procedures for the following matters, and implementing those rules and procedures after obtaining approval from its board of directors in the case of a domestic bank or from its head office or regional center in the case of the branch of a foreign bank in Taiwan:

- (1) Customer acceptance standards and Know Your Customer (KYC) procedures;
- (2) Types and scope of products that may be offered to clients;
- (3) Rules for product suitability;
- (4) Review mechanism for product launch; and
- (5) Matters to be complied with when engaging in product recommendation, advertising, business solicitation and business promotion activities.

6. The business provided in Point 1 herein shall be booked in the OBU and disclosed in the financial statements of trust department of the bank (or the branch of a foreign bank that was established when the foreign bank applied for recognition).

7. The implementation of matters specified under this order shall be included in the internal audit and internal control system.

8. This order takes effect immediately; the Commission's

Gin-Guan-Yin-Wai-Zi-10300337910 Order dated January 5, 2015 is voided immediately.