

Banks (including offshore banking units) shall comply with these Regulations when underwriting or conducting proprietary trading of beneficial securities and asset-based securities issued in accordance with the Financial Asset Securitization Act and Clauses of the Real Estate Securitization Act. Issues not addressed in these Regulations shall be governed by other laws and regulations:

I. Banks (including offshore banking units) applying for engaging in concurrent operations of this business shall submit a business plan and documents stating the approval of the board of directors for operations in the aforementioned business (foreign bank branches in Taiwan shall provide authorization documents from the head office or regional center) in accordance with the “Standards Governing the Establishment of Securities Firms”. They shall apply to the FSC and obtain permission for concurrent operations in the business. Before commencing operations, they shall be registered in the online reporting system of the Banking Bureau of the FSC.

II. The aforementioned business plan shall include the following items:

(I)Description of business activities.

(II)Operating procedures.

(III)Internal control system (including seating segmentation, control and management procedures for sensitive price information, access control, document control and management, and firewall mechanisms).

(IV) Specific measures for risk management.

(V) Personnel assignment and equipment evaluation.

III. The amount of capital that the banks (including offshore banking units) operating this business concurrently are required to allocate or exclusively set aside shall meet requirements specified in the Standards Governing the Establishment of Securities Firms. Regulations in Article 13 of the Regulations Governing Securities Firms stating that the total debts to other parties shall not be more than 6 times its net worth and the total amount of its current liabilities shall not exceed the total amount of its current assets shall be processed in accordance with Article 36, Article 43, and Article 44 of the Banking Act. In addition, Article 28, Paragraph 1 of the Banking Act and Article 5 of the "Regulations Governing Business Scope and Risk Management for Banks Engaging in Trust or Securities Business" shall be strictly followed.

IV. Banks (including offshore banking units) operating this business concurrently shall calculate the limits on the sum of positions they hold for more than one year due to underwriting businesses, positions they hold for conducting proprietary trading, and the balance of their investments in securities based on the following regulations:

(I) Domestic banks: Domestic banks shall be included in the control and management for the limits on investments in accordance with the FSC's "Directions Governing Limitations on the Types and Amounts of the Securities in

Which A Commercial Bank May Invest" in order to meet regulations in Article 74-1 of the Banking Act.

(II) Foreign bank branches in Taiwan: Foreign bank branches in Taiwan investing in securities shall submit the information on the types of securities approved for investment by the board of directors or units or personnel authorized by the board of directors, total investment limit, and limits on investments in securities issued by the same issuer to the competent authority to apply for approval and implement operations in accordance with the contents of the approval; the same shall apply to amendments. After receiving the approval of the competent authority, the types and limits with respect to the securities for investments prescribed by the competent authority based on Article 74-1 of the Banking Act shall apply *mutatis mutandis* to foreign banks. Foreign bank branches in Taiwan shall include the aforementioned investment positions into the investment limits approved by the FSC for control and management.

V. Banks (including offshore banking units) operating concurrent proprietary trading in bonds shall be applicable to the following regulations regarding limits on bond positions it holds that do not involve equity and are not acquired through underwriting. They shall not be subject to restrictions in Article 19, Paragraph 1, Subparagraphs 1 and 2 of the Regulations Governing Securities Firms, Article 9 of the "Rules Governing the Proprietary Trading of Foreign

Bonds by Securities Firms" of Taipei Exchange, Article 79 of the Taipei Exchange Rules Governing Securities Trading on the TPEX, Article 11 of the Taipei Exchange Rules Governing Bond Repurchase and Reverse Purchase Transactions on Over-the-Counter Markets, and the Jin-Guan-Zheng-Quan-Zi Order No. 10703249552 of the FSC regarding foreign securities positions held by securities firms and engaging derivatives transactions.

VI. The calculation basis specified above refers to:

(I) Domestic banks: The calculation basis refers to the bank's finalized net worth as of the end of the previous fiscal year less and subtracting the following Subparagraphs. However, those banks that increase cash capital during the fiscal year are permitted to include the additional capital in the calculation basis, and shall use the day when they have obtained the capital attestation certificate as the calculation base day. If a bank issues cash dividends during the fiscal year, the value of those dividends shall be subtracted from the calculated basenumber on the distribution base day.

1. If a bank holds the shares of another bank for more than one year, the original acquisition cost shall be subtracted. However, reinvestment in an overseas subsidiary bank shall not be subject to this restriction.
2. The original acquisition cost of the shares of other enterprises other than banks in which the bank has made a reinvestment after approval by the Competent

Authority or in accordance with other regulations shall be subtracted.

(II) Foreign bank branches in Taiwan: The calculation basis refers to twice the amount of the net worth of a foreign bank branch after the accounting books were closed at the end of the previous fiscal year of all branches of the foreign bank in Taiwan . Where the net worth of a foreign bank branch changes due to the inward remittance of the operating funds, outward remittance of earnings or a merger in the current year, such changes shall be included in the calculation of the branch's net worth in the previous fiscal year and determined after obtaining the review report of a certified public accountant.

VII. Where banks (including offshore banking units) operating this business concurrently operates equity-type products, they shall process transactions in accordance with related regulations in the Securities and Exchange Act.

Banks that operates underwriting of securities concurrently shall be applicable to restrictions regarding related-party transactions in Article 26 of the Regulations Governing Securities Firms. If an issuer issues straight corporate bonds or financial bonds without equity characteristics, and the sales target is limited to professional institutional investors as specified in the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds, the lead underwriter is exempt from the restrictions.

Where a bank serves as the underwriter for bonds issued by an

affiliate company of the same group or serves as its financial consultant that assists the sales of securities, the bonds sold to professional investors on the day of acquisition may be exempted from restrictions in Article 5 of the "Directions Governing Limitations on the Types and Amounts of the Securities in Which A Commercial Bank May Invest". The bank shall also establish operating procedures for transactions as well as risk management and auditing procedures.

VIII. Banks (including offshore banking units) operating this business shall establish risk management policies and internal control systems for product suitability approved by the board of directors. They shall also ensure that business units fully understand and implement these policies.

The risk management policy specified in the preceding paragraph shall include at least the scope of transactions, limits on overall risks and risks for individual positions, limits on risk exposure for the same affiliated group, and levels of approval. The risk management unit shall regularly review the status of risk exposure and report to the board of directors.

The product suitability policy in Paragraph 1 shall at least include know your customer, customer levels, product review level, product suitability, control and management of the marketing process, risk disclosure (offshore banking units are not applicable to the Financial Consumer Protection Act and maximum potential losses), bank risk control and management, internal controls, and internal audit systems. They shall also regularly provide product sales information to the FSC and

institutions designated by the FSC.

Banks (including offshore banking units) that already operate this business concurrently shall be required to meet regulations in this Article within three months of the promulgation of the Order.

IX. Where any of the following conditions apply to banks (including offshore banking units), they may not apply for concurrent operations of this business:

(I) Where the ratio of the bank's equity capital to risk assets in the period prior to the application date fails to reach standards established in the Banking Act;

(II) Where the bank fails to set aside sufficient loan loss provision ;

(III) Where the bank has accumulated losses in the fiscal year prior to the application date;

(IV) Where the bank's non-performing loans ratio in the quarter prior to the application date was higher than 3%;

(V) Where the bank received more than one incident of being fined due to violation of banking law or regulations in the fiscal year prior to the application date; however, this restriction shall not apply if the bank has taken specific actions recognized by the FSC to remedy the violation.

X. This Order shall become effective immediately. The Jin-Guan-Yin-Wai-Zi Order No. 10600093200 issued on September 22, 2017 by the Financial Supervisory

Commission shall be abolished immediately.