

## Content

Title :	Regulations Governing the Management of Collective Trust Funds <b>Ch</b>
Date :	2001.11.01
Legislative :	1.Adopted on 1 November 2001 per Order No. Tai-Tsai-Rong-(IV)-0904000078 of the Ministry of Finance
Content :	<p>Article 1</p> <p>These Regulations are adopted pursuant to Article 29, paragraph 3, of the Trust Enterprise Act ("the Act").</p> <p>For any matters on which these Regulations are silent, the provisions of the Act and other relevant acts and regulations shall apply.</p> <p>Article 2</p> <p>In these Regulations, "beneficial securities" means securities issued by a trust enterprise for a collective trust fund evidencing the beneficial rights to which holders are entitled in the collective trust fund.</p> <p>In these Regulations, "beneficial rights" means the rights to the distribution of trust proceeds, trust asset compensation, or other benefits to which a beneficiary is entitled based on the number of beneficial units recorded on the beneficial securities or other evidentiary document representing beneficial rights.</p> <p>In these Regulations, "evidentiary document representing beneficial rights" means a document produced and issued by the trust enterprise and recording the number of beneficial units held by the beneficiary.</p> <p>In these Regulations, "net asset value per beneficial unit" means the net asset value of the collective trust fund trust assets represented by each beneficial unit.</p> <p>Article 3</p> <p>A trust enterprise approved by the Ministry of Finance to publicly offer and issue a collective trust fund shall proceed in accordance with the following provisions:</p> <ol style="list-style-type: none"><li>1.Using standardized trust agreement provisions, enter into a collective trust fund agreement separately with unspecified multiple persons, collect the money, and deliver the beneficial rights by issuing beneficial securities or producing and issuing evidentiary documents representing the beneficial rights.</li><li>2.The duty of a care of a good administrator is to collectively manage and utilize the trust assets for the benefit of the beneficiaries based on the scope and methods stipulated in the collective trust fund agreement.</li><li>3.Handle matters for which the trustee is responsible as stipulated by the trust agreement.</li><li>4.Other matters as required by the Ministry of Finance.</li></ol> <p>For a collective trust fund of which 40 percent or more of the publicly offered and issued amount is invested in securities set forth in Article 6</p>

of the Securities and Exchange Act, or from which NT\$600 million or more is available for investment in securities set forth in Article 6 of the Securities and Exchange Act, it shall apply for approval from the competent securities authority; matters in connection with the offering, issuance, trading, management, and supervision of such a fund shall be handled in compliance with the applicable provisions of the Securities and Exchange Act; if already approved by the competent securities authority, it shall be deemed to have been approved in accordance with the Act.

#### Article 4

A trust enterprise that has obtained a credit rating of a certain level or above from a credit rating agency approved by the Ministry of Finance may apply to publicly offer and issue a collective trust fund; prior to public offering and issuance, it shall submit the written documentation listed below to the Trust Association of the ROC (the "Trust Association") for review, and then submit the review opinions to the Ministry of Finance by letter for approval; where the collective trust fund it issues is intended to be traded on the stock market or over-the-counter securities market, it shall submit applications in accordance with applicable securities acts and regulations:

1. Collective trust fund public offering and issuance application and public offering and issuance plan.
2. Collective trust fund agreement.
3. Comparison table showing the similarities and differences between the collective trust fund agreement and the standardized agreement.
4. Collective trust fund public offering and issuance prospectus.
5. Documents verifying that the professional trust expertise and experience of the collective trust fund operations and management personnel meet the requirements set by the Ministry of Finance under Article 24, paragraph 4, of the Act; personnel possessing the power to make decisions regarding [collective trust fund] utilization shall also submit documentation verifying that they have the relevant qualifications and work experience required under Article 16 hereof.
6. Where a trust supervisor position(s) has been established, the name(s) thereof, documents verifying their qualifications, and written statement(s) of their consent to be appointed.
7. Meeting minutes of the board of directors.
8. Where the offering plan proposes an overseas offering for domestic investment, or a domestic offering for overseas investment, it shall submit a copy of the consent letter of the Central Bank of China (CBC).
9. Other documents shall be submitted as required by the Ministry of Finance.

Prior to granting approval under the preceding paragraph to a trust enterprise that applies to publicly offer and issue a money market collective trust, the Ministry of Finance shall consult the Central Bank of China for suggestions.

The processing period for the review by the Ministry of Finance of an application for the public offering and issuance of a collective trust fund by a trust enterprise shall be 2 months, beginning from the day of acceptance of the application for processing or of receipt of the last

related supplementary documentation; provided that if the application is subject to any of the circumstances listed in Article 9 hereof as grounds for denying approval, any other exceptional circumstance that requires extension of the review, or the Ministry of Finance deems necessary to protect the public interest, the processing period may be extended to 6 months.

After a trust enterprise has been approved by the Ministry of Finance to offer and issue a collective trust fund, any change to its public offering and issuance plan shall require the consent of a majority of the trust supervisors or the adoption of a resolution at a general meeting of beneficiaries; the minutes of such trust supervisor meeting or general meeting of beneficiaries, the reason for the change, and other documents required by the Ministry of Finance shall be submitted to the Trust Association by letter, which shall review them and forward them along with its review suggestions to the Ministry of Finance for approval.

#### Article 5

Where the previously approved limit on the public offering and issuance of a collective trust fund has been reached, and there is a need for an additional public offering and issuance, the trust enterprise may report the reason for the additional public offering and issuance to the Ministry of Finance for approval.

For any portion of an additional public offering and issuance of a collective trust fund that involves inward and outward remittance of foreign exchange funds, consent shall first be obtained from the Central Bank of China (CBC), and it shall be conducted through a licensed foreign exchange bank in accordance with applicable provisions of the Foreign Exchange Control Act.

#### Article 6

The offering plan of a collective trust fund shall record:

- 1.The following important matters regarding the public offering and issuance of the collective trust fund:
  - (1) Name, purpose, type, and offering amount.
  - (2) Fund utilization policies, scope (including geographic area) and limitations, investment targets and ratios.
  - (3) Public offering and issuance method, projected public offering period, and an assessment of the public offering plan's possible impact on, and benefits for, the financial securities market.
  - (4) Conditions determining whether or not the fund will be established, and the method by which matters will be handled if it is not established.
  - (5) Trust asset appraisal standards.
  - (6) Method for the transfer of beneficial rights.
  - (7) Method for the calculation of net value per beneficial unit.
  - (8) Schedule and method for the distribution of trust benefits.
  - (9) Method for handling fees and tax burdens.
  - (10) Prohibited activities, and responsibilities, of the trust enterprise.
  - (11) Other matters as required by the Ministry of Finance.
- 2.Reasons for which the collective trust fund public offering plan may be terminated, and the procedure by which termination will be handled.

3. Collective trust fund asset management method.
4. Internal control and internal audit system for the custodianship of the collective trust fund assets.
5. The names, and academic and experiential qualifications of interested parties as defined in Article 7, subparagraph 1, of the Act.
6. Other matters as required by the Ministry of Finance.

#### Article 7

A trust enterprise that publicly offers and issues a collective trust fund shall provide beneficiaries with a prospectus.

The prospectus referred to in the preceding paragraph shall include the following:

1. Collective trust fund public offering and issuance plan.
2. Major content of the collective trust fund agreement, and a comparison table showing similarities and differences between the agreement and the standardized agreement.
3. Data summary regarding the recent operations of the trust enterprise (including the financial report of the trust enterprise for the most recent fiscal year, and the scale and net value of the collective trust fund public offering.)
4. The names, and academic and experiential qualifications, of personnel holding decision-making power regarding fund utilization.
5. If a trust supervisor position(s) has been established, the name(s), and academic and experiential qualifications of the supervisor(s).
6. Phone number and address of the customer service and complaint department.
7. Other matters as required by the Ministry of Finance.

The collective trust fund prospectus may not contain fraudulent, misrepresentative or other misleading information.

#### Article 8

The collective trust fund agreement shall be in writing, and shall record the following matters, in addition to those set out in Article 19 of the Act:

1. Fund name.
2. Where there is a specified target(s) of investment by the fund, the content of and appraisal standards for the target.
3. Rights and obligations of beneficiaries.
4. Basic policies for, scope of, and limitations on fund utilization and management.
5. Risk disclosure statement by the trustee stating that it does not guarantee the principal or the rate of return.
6. Procedure for handling a change of the trustee.
7. Procedures regarding the resignation or dismissal of the trustee, and appointment of a new trustee.
8. Where a trust supervisor position(s) has been established, the method by which the supervisor(s) are appointed, and their remuneration.
9. Matters to which the beneficiaries consent regarding the exercise of rights by the trust supervisor(s) and general meeting of beneficiaries.
10. Rules regarding the general meeting of beneficiaries.

11.Applicable language, governing laws, court of jurisdiction, and supervision by the Competent Authority.

12.Methods for service of notices and public announcements.

The Trust Association shall adopt a standardized collective trust agreement, and file it with the Ministry of Finance for approval.

In the adoption of, and any amendments to, the collective trust fund agreement, the extent of protection of rights and interests of beneficiaries by the trust enterprise may not be less than that under the standardized collective trust fund agreement approved by the Ministry of Finance.

#### Article 9

A trust enterprise that applies to publicly offer and issue, or make an additional public offering of, a collective trust fund where any of the following circumstances exists may be denied approval:

1.It has been prohibited by the Ministry of Finance from engaging in collective trust fund business.

2.The Ministry of Finance has revoked or voided its public offering and issuance of a collective trust fund by it within the past 6 months, or it has voluntarily canceled its public offering and issuance of a collective trust within the past three months.

3.Its board of directors has not passed a resolution for the offering.

4.Any matter contained in the application violates an act or regulation, affecting the public offering and issuance of the collective trust fund.

5.Based on the application documentation, objective facts verify an inability to complete the offering plan.

6.The application documentation is incomplete or the information contained therein is insufficient, and supplementation is impossible, or supplementation is permitted, but fails to be completed in full by a deadline set by the Ministry of Finance for supplementation.

7.The accounting and financial reports have not been prepared in accordance with applicable acts and regulations and generally accepted accounting principles, where serious in nature.

8.The internal control or auditing system has not been effectively implemented.

9.The final accounting for the preceding fiscal year shows a loss; provided that this restriction shall not apply to those not yet established for two complete fiscal years.

10.Any other violation of an act or regulation, the Trust Association articles of association, code, or resolution, or the collective trust fund agreement, where serious in nature.

11.Any other circumstance under which the Ministry of Finance feels that approval of the offering is likely to harm the public interest.

#### Article 10

When any of the following circumstances exists at a trust enterprise after it has been approved to publicly offer and issue a collective trust fund, the Ministry of Finance may revoke the approval:

1.The deadline prescribed in Article 11, beginning from the date on which approval was granted, has passed and the public offering and issuance has

not commenced

2. Fraud, misrepresentation, or other misleading behavior in conducting collective trust fund business.

3. The occurrence of any matter with a material effect on beneficial rights and interests that is not publicly announced and reported to the Ministry of Finance within 2 business days of the actual date of occurrence.

4. Non-compliance with any additional condition imposed by the Ministry of Finance at the time of approval.

5. Other circumstance violating an act or regulation, where serious in nature.

After a trust enterprise has been granted approval to publicly offer and issue a collective trust fund, if it is subsequently discovered that the original application documents contain any fraud, misrepresentation, or other misleading circumstance constituting a serious violation of law, the Ministry of Finance shall void the approval.

When any of the circumstances described in the preceding two paragraphs occurs at a trust enterprise, it shall make a public announcement within 2 business days from the date of service of the letter of revocation or voidance from the Ministry of Finance, and proceed by the mutatis mutandis application of Article 38 hereof.

#### Article 11

After its application to publicly offer and issue a collective trust fund has been approved, a trust enterprise shall commence the offering within 6 months from the date of service of the approval letter, unless otherwise specified by act or regulation; provided that those with legitimate reason may apply for an extension from the Ministry of Finance prior to the deadline. Such extension may not be longer than 6 months, and may be granted only once.

#### Article 12

A trust enterprise shall apply to the Ministry of Finance for approval prior to establishing a collective trust fund by public offering and issuance. The date of approval by the Ministry of Finance shall be the record date of establishment of the fund.

When a trust enterprise fails to collect the minimum amount required for the establishment of a collective trust fund prior to the expiration of the offering period, within 10 business days after the expiration of the fund offering period it shall notify the beneficiaries in writing and report to the Ministry of Finance for recordation.

#### Article 13

Directions regarding the marketing, agreement execution/signing, information disclosure, and risk management for a trust enterprise engaging in collective trust fund business shall be drafted by the Trust Association and submitted to the Ministry of Finance for approval.

A trust enterprise publicly offering and issuing a collective trust fund shall do so in accordance with the directions referred to in the preceding paragraph.

#### Article 14

The personnel deployment of a trust enterprise conducting collective trust fund business shall comply with the principles of segregation of duties and checks and balances.

#### Article 15

Personnel that possess decision-making power regarding collective trust fund utilization may not simultaneously hold other positions.

#### Article 16

Every collective trust fund shall appoint at least one employee with decision-making power, specifically responsible for handling collective trust fund asset utilization and management matters.

In addition to possessing the required professional knowledge and experience regarding trusts as prescribed by the Ministry of Finance under Article 24, paragraph 4, of the Act, a collective trust fund employee that possesses decision-making power shall, based on the utilization purpose and scope set out in the collective trust fund offering plan, also possess at least one of the following relevant qualifications and work experiences:

- 1.Three or more years of work experience at a financial institution in investment or asset management related to the fund utilization scope.
- 2.Three or more years of experience in utilizing and managing collective investments or discretionary investments.
- 3.Have obtained qualification, in Taiwan or overseas, as a securities investment analyst, or in Taiwan as a securities firm senior agent, and three or more years of work experience in the position of securities analyst or investment strategist at a professional institution.
- 4.Other qualifications and work experience relating to the fund utilization scope, and reported to, and approved by, the Trust Association in advance.

#### Article 17

Directors, supervisors, and business operations and management personnel of a trust enterprise may not engage in the following conduct:

- 1.Conduct that violates Article 23, 25, or 27 of the Act.
- 2.Violation of the purpose of the trust, or improper disposal or embezzlement of trust assets.
- 3.Conduct that violates their statutory or agreed-upon duty of confidentiality by disclosing information obtained in the performance of their job duties to other persons, except in response to inquiries made pursuant to acts and regulations.
- 4.When utilizing a collective trust fund for an investment target as set out in these Regulations, to simultaneously buy into or sell out of that investment target for their own benefit or that of a third party.
- 5.Engage in fraudulent, misrepresentative, or other misleading publicity or business promotion activities.
- 6.Agree to provide any specified benefit or consideration, or to bear losses, in order to promote a collective trust fund.
- 7.Collect a kickback, commission rebate, or other benefit from those with whom they have a business relationship, or from a customer.

8. Collect a monetary or other benefit in return for the transfer of a shareholder proxy form or the exercise of collective trust fund shareholder voting right.

9. When utilizing a collective trust fund to engage in securities transactions, doing so with the intention to raise or lower the trading price of certain securities on the centralized securities exchange market, or engaging in other conduct detrimental to the rights and interests of the beneficiaries.

10. Violate his/her/its duty by handling affairs with the intent to gain illegal benefit for himself/herself/itself or a third party, or so as to harm the rights or interests of beneficiaries.

11. When utilizing a collective trust fund for an investment target as set out in these Regulations, change an already completed transactions from the fund account to his/her/its own or a third party account, or from his/her/its own or a third party account to the fund account.

12. Other matters prohibited by acts or regulations, or the Ministry of Finance.

A trust enterprise that discovers any violation of the preceding paragraph shall take appropriate measures and find out those responsible, and report the names of any employees who are disciplined, dismissed, or relieved of their duties to the Ministry of Finance for recordation, with a copy sent to the Trust Association.

Where a director or supervisor of a trust enterprise is a juristic person, the two preceding paragraphs shall apply mutatis mutandis to its representative or designated representative performing duties on its behalf.

#### Article 18

A trust enterprise may substitute issuance and book-entry of other evidentiary documentation evidencing beneficial rights for the issuance and transfer of beneficial securities.

A beneficiary exercising beneficial rights shall do so based on the beneficial securities held or other evidentiary documents representing the beneficial rights.

With respect to the negotiability of collective trust fund beneficial rights, a beneficiary may, according to the methods stipulated in the collective trust fund agreement, transfer beneficial securities or other evidentiary documents representing beneficial rights to a third party, or request that the trust enterprise terminate the agreement.

#### Article 19

A trust enterprise shall calculate the net asset value of the collective trust fund based on applicable acts and regulations and generally accepted accounting principles.

The Trust Association shall draft standards for the calculation of collective trust fund net asset value and submit them to the Ministry of Finance for approval.

Every business day, a trust enterprise shall publicly announce the net asset value per beneficial unit of the fund of the previous business day. However, where the utilization falls under Article 22, paragraph 2,

subparagraphs 7 or 8, the net asset value calculation period and required public announcement deadline may be stipulated in the collective trust fund agreement, provided that it may not be longer than 6 months.

#### Article 20

Collective trust fund beneficial securities issued by a trust enterprise shall be certified. Certification matters shall be governed by the mutatis mutandis application of regulations governing the certification of corporate stock and bond issues.

The beneficial securities referred to in the preceding paragraph shall be given serial numbers and record the following information:

- 1.Name, number of beneficial units, date of issuance, and duration of the collective trust fund, and whether or not additional issues are permitted.
- 2.Name and address of the trust enterprise.
- 3.Name of the beneficiary and number of beneficial units.
- 4.Price, fees, and tax burden per unit issued.
- 5.Method by which trust funds will be calculated and paid upon termination of the agreement by the beneficiary.
- 6.Method for the transfer of beneficial rights.
- 7.Method for the calculation and public announcement of the net asset value per unit of beneficial rights.
- 8.The method by which trustee remuneration is calculated and paid.
- 9.Other information as required by the Ministry of Finance.

#### Article 21

Collective trust fund beneficial securities may be transferred by endorsement of the beneficiary, provided that where the trust enterprise is not notified of the name or title of the transferee, the transfer shall not be valid as against the trust enterprise.

#### Article 22

The utilization and management of a collective trust fund may not violate any act or regulation, and shall be done in accordance with the offering plan filed with and approved by the Ministry of Finance.

The scope of utilization of the trust assets of a collective trust fund shall be limited to the following:

- 1.Cash and bank deposits, the aggregate total amount of which may not exceed 20 percent of the fund assets.
- 2.Government bonds; financial bonds; and bonds and short-term bills issued in Taiwan by international financial institutions and approved by the Central Bank and Ministry of Finance.
- 3.Repo transactions of investment targets described in the preceding subparagraph.
- 4.Stock, corporate bonds, or convertible corporate bonds issued by a company listed on the stock exchange or OTC market.
- 5.Gold.
- 6.Futures and derivative financial products.
- 7.Financial asset securitization beneficial securities issued by other trust enterprises.
- 8.Movables and real estate.

9. Other investment targets approved by the Ministry of Finance.

Where a publicly offered collective trust fund is not designated by name as a money market mutual fund, the aggregate amount of its investment in money market targets may not exceed 30 percent of its publicly offered and issued amount.

Unless the trust enterprise has been approved to concurrently engage in futures trust business by the competent securities authority, the total market value utilized in investment in futures contracts as defined in Article 3 of the Futures Trading Act may not exceed 40 percent of the publicly offered and issued amount of the collective trust fund.

A trust enterprise that manages a collective trust fund shall maintain adequate liquidity, and shall regulate liquidity by mutatis mutandis application of the provisions regarding liquidity asset scope and ratio set by the Ministry of Finance under Article 36 of the Act.

The scope of and limitations on foreign investments made in the utilization of collective trust funds offered by trust enterprises shall be set by the Ministry of Finance after consultation with the Central Bank.

#### Article 23

A trust enterprise shall make investment decisions regarding the utilization of a collective trust fund based on investment analysis reports, execute the transactions, make records of the investment decisions and the execution thereof, and submit regular review reports to the trust asset assessment committee.

An investment analysis report referred to in the preceding paragraph shall state its analytical foundation, basis, and suggestions; the investment decision record shall record the type, quantity, and timing of the investment target; the execution record shall record the type, quantity, price, and timing of the actual investment or transaction target, and explain the reason for any discrepancy in the investment or transaction.

The written information required in paragraph 1 shall be recorded chronologically and kept on file for a period of not less than five years. A trust enterprise may engage a third party possessing professional investment analysis and consulting capabilities to provide investment analysis and consulting services.

#### Article 24

In utilizing a collective trust fund, a trust enterprise shall comply with the Act and the following provisions:

1. It may not utilize the fund to make a guarantee or provide security.
2. It may not engage in securities margin trading.
3. It may not conduct transactions between different collective trust funds that it manages.
4. The aggregate amount of funds utilized for stocks, corporate bonds, convertible corporate bonds, or commercial paper issued by any single company may not exceed 10 percent of the net asset value of the collective trust fund on the date of investment.
5. The aggregate amount of funds utilized by any given collective trust fund to invest in stocks, corporate bonds, convertible corporate bonds, or short

term bills issued by any single company may not exceed 10 percent of the paid-in capital of that company on the date of investment

6.The aggregate amount of funds deposited in the same financial institution, and invested in financial bonds issued by that financial institution, or corporate bonds and short-term bills guaranteed by that financial institution, may not exceed 20 percent of the net asset value of the given collective trust fund, or 10 percent of the net worth of that financial institution, on the date of the investment.

7.Unless a trust enterprise has been approved to concurrently engage in futures trust business by the competent securities authority, the total market value of its open positions in futures contracts utilizing a collective trust fund in futures transactions as defined in Article 3 of the Futures Trading Act may not exceed 40 percent of the net asset value of that fund on the date of the transaction.

8.Utilization of a collective trust fund in any given financial asset securitization beneficial securities issued by another trust enterprise may not exceed 20 percent of the net asset value of that fund on the date of the investment.

9.When necessary, the Ministry of Finance may adopt additional provisions for compliance in utilization on movables, real estate, or other investments approved by the Ministry of Finance.

10.It may not engage in matters prohibited by any other act or regulation or by the Ministry of Finance.

#### Article 25

When a trust enterprise utilizes a collective trust fund in trading of exchange-listed or OTC-listed securities, it shall engage a securities broker to carry out the trading procedures.

When a trust enterprise utilizes a collective trust fund in trading of government bonds, bills, or notes, it shall engage a securities broker or bond broker to carry out the trading procedures.

When a trust enterprise utilizes a collective trust fund in trading of futures or derivative financial products, it shall engage a futures broker or a foreign exchange broker to carry out the trading procedures.

When a trust enterprise utilizes a collective trust fund in trading of targets other than those specified in the preceding three paragraphs, it shall engage a lawful broker to carry out the trading procedures, or do so in accordance with customary business practice.

#### Article 26

The trust assets of a collective trust fund shall be registered in a collective trust fund account under the name of the trust enterprise, provided that when the collective trust fund is utilized for an overseas investment target, this may be handled as stipulated in the contract signed between the trust enterprise and the appointed foreign custodian institution.

#### Article 27

A trust enterprise shall establish a trust asset assessment committee that shall assess the collective trust fund utilization status at least once

every three months, and report it to the board of directors.

A trust enterprise shall notify the beneficiaries in writing of the utilization status and assessment findings referred to in the preceding paragraph. If the collective trust fund has appointed trust supervisor(s), it shall also report the same to the trust supervisor(s).

#### Article 28

A collective trust fund shall have independent accounting, and the trust enterprise may not commingle it in use with the enterprise's own assets or with other trust assets.

Account books relating to the collective trust fund shall be prepared in compliance with applicable acts and regulations and self-regulatory rules, and the books shall be preserved by the methods and for the periods of time prescribed by the Business Accounting Act and applicable regulations.

A trust enterprise shall compile the following statements regarding the utilization and management of a collective trust fund:

1. Balance sheet.
2. Income and expenditure statement.
3. Statement of distributions of proceeds.
4. Statement of changes in capital account.
5. Asset inventory.

By the 10th day of each month, a trust enterprise shall prepare the statements specified in the preceding paragraph for the preceding month, and file them with the Trust Association to collate and compile statistical data.

Within 2 months after the end of the fiscal half-year, and again within 4 months after the end of the fiscal year, a trust enterprise shall file a collective trust fund business report, the statements specified in paragraph 3 herein, and the report of final accounts for the preceding fiscal year audited and certified by a CPA, with the Ministry of Finance for recordation and send them to the beneficiaries, and publish its balance sheet by the publication method prescribed in Article 39 of the Act.

Where a collective trust fund has appointed a trust supervisor(s), the business report, statements, and report of final accounts referred to in the preceding paragraph shall be submitted to and recognized by the trust supervisor(s) before being submitted to the Ministry of Finance for recordation.

#### Article 29

Where the utilization of a collective trust fund involves notes or government-issued bonds, prior to the 10th day of each month, the trust enterprise shall file a report regarding the notes or government-issued bond transaction data for the preceding month in the format prescribed by the Central Bank.

#### Article 30

A trust enterprise may collect handling fees and remuneration from beneficiaries for handling collective trust fund business or deduct such payment from the collective trust fund trust assets, and related provisions shall be expressly stipulated in the agreement.

#### Article 31

A trust enterprise conducting collective trust fund business may pay any expenses or taxes resulting from the utilization or management of the trust assets by directly deducting them from the trust assets, and related provisions shall be expressly stipulated in the agreement.

#### Article 32

Proceeds that shall be distributed from income derived from the utilization of a collective trust fund shall be distributed within 6 months after the end of each fiscal year.

#### Article 33

Beginning on the day after receiving a beneficiary's termination of the agreement in writing or by other stipulated termination method, a trust enterprise shall make payment in accordance with the payment date stipulated in the trust agreement.

Where a beneficiary requests a partial termination of the agreement, in addition to making payment on a pro-rata basis by the time specified in the preceding paragraph, it also shall carry out reissuance of the beneficial securities or registration of the change of the other documentation evidencing beneficial rights, in the manner stipulated in the agreement.

#### Article 34

The amount to be paid to a beneficiary that terminates a collective trust fund agreement shall be calculated based on the net value of the collective trust fund on the next business day following the date on which the written request to terminate the agreement, or other stipulated termination method, is received by the trust enterprise. However, where the amount to be paid exceeds the lowest collective trust fund asset liquidity ratio required under Article 22, paragraph 5, or an amount specifically stipulated in the collective trust fund agreement, the amount to be paid shall be calculated as stipulated in the collective trust fund agreement.

#### Article 35

A trust enterprise shall conduct the procedures regarding a beneficiary's request to terminate the agreement in accordance with the collective trust fund agreement, and may not refuse or delay payment unless otherwise stipulated in the agreement.

Other stipulations of the agreement as referred to in the preceding paragraph may include the following:

1. Where financial, securities, or foreign exchange markets suspend trading for reasons other than regular holidays.
2. Where normal communications are interrupted.
3. Where remittance transactions are restricted.
4. Where other special circumstances submitted to and approved by the Ministry of Finance prevent the request to terminate the agreement from being received or the payment from being made.

#### Article 36

When a collective trust fund agreement must be changed for a reason other than a change in an act or regulation, the trust enterprise shall obtain the consent of a majority of the trust supervisor(s) or the adoption of a resolution at a general meeting of beneficiaries, and submit the meeting minutes of the trust supervisors meeting or general meeting of beneficiaries, a comparison table of the agreement text prior to and after the change was made, and the reason for the change in a letter to the Trust Association, which shall forward them in a report to the Ministry of Finance for approval.

After a circumstance described in the preceding paragraph has been approved by the Ministry of Finance, the trust enterprise shall immediately publish it by the publication method prescribed in Article 39 of the Act for a certain time period, so that the beneficiaries may decide whether to continue to participate in, or withdraw from, the collective trust fund.

#### Article 37

The reasons for termination of a collective trust fund shall be as stipulated in the agreement, except as otherwise specified by act or regulation, provided that where the Ministry of Finance deems termination of a collective trust fund advisable, based on the public interest or the interests of the beneficiaries, it may order termination.

Notice of the termination of a collective trust fund shall be sent by letter to the Trust Association, which shall forward it in a report to the Ministry of Finance for approval. After approval, the trust enterprise shall disclose the termination by the disclosure method prescribed in Article 39 of the Act within 2 business days from the date of service of the letter of approval.

#### Article 38

When a collective trust fund is terminated, the trust enterprise shall complete liquidation of the collective trust fund within 3 months from the approval by the Ministry of Finance. The trust assets after liquidation shall be distributed to the respective beneficiaries based on the proportion of beneficial rights.

A trust enterprise shall report the liquidation and distribution method in the preceding paragraph to the Ministry of Finance and publicly announce it, and notify the beneficiaries; within 2 months after the date upon which the liquidation procedures are concluded, it shall notify the Ministry of Finance by letter of the results thereof for recordation, and inform the beneficiaries.

Under the circumstances in the preceding two paragraphs, and where a collective trust fund has appointed a trust supervisor(s), it shall also obtain the approval of the trust supervisor(s) before reporting to the Ministry of Finance by letter for approval or recordation.

#### Article 39

A trust enterprise conducting collective trust fund business may appoint a trust supervisor(s), whose remuneration shall be stipulated in the collective trust fund agreement.

#### Article 40

A trust supervisor who is a natural person shall possess one of the following qualifications:

1. Previously held the position of assistant manager or above, or an equivalent level position, at the headquarters of a financial institution, and possesses not less than 5 years of trust business experience and an excellent performance record.
2. Obtained a CPA or lawyer license, and possesses not less than 5 years of practical work experience.
3. Taught finance, accounting, law, or trust related courses at the junior college level or higher, domestically or abroad, for not less than 5 years.
4. Possesses not less than 2 years of experience in a trust business related financial administration management position, and has previously served as a civil servant of not less than intermediate level 9, or an equivalent level position.
5. Possesses other experience sufficient to evidence the ability to effectively execute the official duties of a trust supervisor and protect the rights and interests of beneficiaries.

Only a trust enterprise may hold the position of trust supervisor as a juristic person.

An interested party or employee of a trust enterprise may not hold the position of trust supervisor at any collective trust fund offered by that trust enterprise.

#### Article 41

A trust supervisor shall act with the care of a good administrator to represent all beneficiaries in carrying out the following duties:

1. Take any action regarding the trust in his/her/its own name, litigious or non-litigious, on behalf of the beneficiaries.
2. When a trust enterprise is derelict in its duties, or for other serious reasons, and at the request of the beneficiaries, petition a court to dismiss it and appoint a new trustee.
3. At the request of the beneficiaries, take any necessary action in the beneficiaries' interests.
4. Take any other necessary action pursuant to acts and regulations in the beneficiaries' interests.

#### Article 42

When a trust supervisor has valid reason, he/she/it may resign with the consent of the trust enterprise or permission of a court.

When a trust supervisor is negligent in the performance of his/her/its professional duties, or for other serious reasons, a trust enterprise may dismiss him/her/it, and shall immediately appoint a new trust supervisor.

A trust enterprise that appoints a new trust supervisor shall first submit the trust supervisor name list and evidentiary documentation of qualifications to the Ministry of Finance for approval.

When the circumstances in paragraph 2 herein exist regarding a trust supervisor, and the trust enterprise fails to dismiss the trust supervisor or to appoint a new supervisor, the court may dismiss the trust supervisor or appoint a new supervisor pursuant to a petition by an interested party,

a prosecutor, or the Ministry of Finance.

#### Article 43

Where any of the following circumstances exists with respect to a collective trust fund, the trust enterprise shall convene a general meeting of the trust beneficiaries:

- 1.Replacement of the trustee.
- 2.Transfer, merger, or termination of the collective trust fund.
- 3.Increase in trustee remuneration.
- 4.Increase in trust supervisor remuneration.
- 5.Change in the designated operational scope or methods of the collective trust fund.
- 6.Otherwise as provided by another act or regulation, the collective trust fund agreement, or the Ministry of Finance.

#### Article 44

A general meeting of beneficiaries may be convened in writing or by personal attendance. The adoption of a resolution of a general meeting of beneficiaries shall require attendance by beneficiaries holding one-half or more of the total number of beneficial units already issued, and approval by one-half or more of the total number of voting rights in attendance approve.

The Ministry of Finance may order a trust enterprise to change collective trust fund agreement provisions regarding quorum requirements, voting requirements, and method for handling resolutions of general meetings of beneficiaries as required based on the public interest or beneficiary interests.

#### Article 45

When a trust enterprise, because of dissolution, bankruptcy, an order to suspend business, or revocation or voidance of its business permit, is unable to continue to manage and utilize a collective trust fund, it shall contact another suitable trust enterprise to succeed it, and file a report of the succession results with the Ministry of Finance for recordation; when another trust enterprise has not succeeded it within 3 months, it shall terminate the collective trust fund, and carry out liquidation procedures under Article 38 hereof.

#### Article 46

When succession referred to in the preceding paragraph occurs, the trust enterprise shall compile a clearing report, and transfer the trust assets to the succeeding trust enterprise on the stipulated transfer date. The rights and obligations between a trust enterprise that succeeds a collective trust fund and the beneficiaries shall be as stipulated by the original collective trust fund agreement, except where changes are consented to by the beneficiaries.

#### Article 47

A trust enterprise shall make the collective trust fund prospectus, collective trust fund agreement, and business and financial reports for

each fiscal half-year available at its places of business for public reference.

Article 48

These regulations shall enter into force from the date of promulgation.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System