

Content

Title :	Standards Governing the Establishment of Securities Investment Trust Enterprises <b>Ch</b>
Date :	2010.02.04
Legislative :	<p>1. Full text of 30 articles adopted and issued 30 October 2004 per Order No. Financial-Supervisory-Securities-IV-0930005162 of the Financial Supervisory Commission, Executive Yuan; for implementation from the date of issuance</p> <p>2. Articles 1, 2, 11, 19, 21, 26, and 27 amended and issued; Articles 23-1 to 23-6 and titles of Chapter 3, Sections 1 and 2 added; and Article 20 deleted 20 January 2006 per Order No. Financial-Supervisory-Securities-IV-0950000358 of the Financial Supervisory Commission, Executive Yuan</p> <p>3. Full text of 51 articles amended and issued 17 March 2008 per Order No. Financial-Supervisory-Securities-IV-0970008176 of the Financial Supervisory Commission, Executive Yuan; for implementation from the date of issuance</p> <p>4. Article 3 amended and issued 4 February 2010 per Order No. Financial-Supervisory-Law-09900542800 of the Financial Supervisory Commission, Executive Yuan</p>
Content :	<p>Chapter I General principles</p> <p>Article 1</p> <p>These Standards are adopted pursuant to Article 6, paragraph 3, Article 66, paragraphs 1 and 3, Article 67, paragraph 2, Article 72, paragraph 1, Article 74, paragraph 2, and Article 75 paragraph 2 of the Securities Investment Trust and Consulting Act ("the SITC Act").</p> <p>Article 2</p> <p>Each line of business that a securities investment trust enterprise ("SITE") may operate is subject to a separate approval by the Financial Supervisory Commission, Executive Yuan (FSC) pursuant to the SITC Act, and, once approved, shall be specified on its business license; no SITE may operate a line of business that has not been approved and specified on its business license.</p> <p>A SITE applying to operate discretionary investment business under Article 3, paragraph 3, subparagraph 2 of the SITC Act shall do so in compliance with the Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises.</p> <p>A trust enterprise intending to establish, in accordance with Article 8, paragraph 2 of the Trust Enterprise Act, a collective trust fund for investment in the securities under Article 6 of the Securities and Exchange Act, shall apply to concurrently operate securities investment trust business if the condition specified in Article 15 is fulfilled.</p> <p>A futures trust enterprise intending to offer a futures trust fund for investment in the securities under Article 6 of the Securities and Exchange Act shall apply to concurrently operate securities investment trust business if the condition specified in Article 29 is fulfilled.</p> <p>An enterprise in another line of business that concurrently operates securities investment trust business shall do so in accordance with the provisions of Chapter III. A trust enterprise that concurrently operates</p>

such business shall, except as otherwise provided in the Trust Enterprise Act, also do so in accordance with the provisions of Chapter III.

#### Article 3

No person under any of the following circumstances may serve as a promoter of a SITE:

1. Has previously, by a final and unappealable judgment, been convicted of a crime under the Organized Crime Prevention Act, and has not completed serving the sentence, or five years have not elapsed since completion of the sentence, expiration of suspended sentence, or pardon.
2. Has previously, by a final and unappealable judgment, received a sentence of imprisonment for one year or more for fraud, breach of trust, or misappropriation, and has not completed serving the sentence, or two years have not elapsed since completion of the term of sentence, expiration of suspended sentence, or pardon.
3. Has previously, by a final and unappealable judgment, received a sentence of imprisonment or greater severity for misappropriation related to public function or occupation and has not completed serving the sentence, or two years have not elapsed since completion of the sentence, expiration of the suspended sentence, or pardon.
4. Has previously, by a final and unappealable judgment, been convicted of a crime under the Securities and Exchange Act or this Act, and has not completed serving the sentence, or 3 years have not elapsed since completion of the sentence, expiration of suspended sentence, or pardon.
5. Has previously, by a final and unappealable judgment, received a sentence of imprisonment or greater severity for accepting deposits, managing trust funds or public properties, or handling domestic or foreign remittances in violation of Article 29, paragraph 1, of the Banking Act and has not completed the sentence, or 3 years have not elapsed since completion of the sentence, expiration of suspended sentence, or pardon.
6. Has previously, by a final and unappealable judgment, received a sentence of imprisonment or greater severity for engaging in trust business in violation of Article 33 of the Trust Enterprise Act and has not completed serving the sentence, or 3 years have not elapsed since completion of the sentence, expiration of suspended sentence, or pardon.
7. Has been adjudicated bankrupt and his or her rights have not been reinstated, or previously served as a director, supervisor, managerial officer, or in another equivalent position of a juristic person when such juristic person was adjudicated bankrupt, and either 3 years have not elapsed since the bankruptcy was concluded, or the terms of bankruptcy settlement have not been fulfilled.
8. Has been blacklisted after dishonoring of a negotiable instrument, and remains blacklisted.
9. Has no legal capacity to act, limited legal capacity to act, or has been declared by a court to be placed under assistance, where such declaration has not yet been voided.
10. Has been sanctioned under Article 56, or subparagraph 2 of Article 66 of the Securities and Exchange Act, or sanctioned by dismissal from duties under subparagraph 2 of Article 103, or Article 104, of the SITC Act, and 3 years have not elapsed since such sanction.
11. Has previously served as a director or supervisor of a securities firm,

SITE, or securities investment consulting enterprise ("SICE"), and during the term of such position, such enterprise was sanctioned under subparagraph 3 or 4 of Article 66 of the Securities and Exchange Act, or was sanctioned by suspension of business or revocation of its business permission under subparagraph 4 or 5 of Article 103 of the SITC Act, and one year has not elapsed since such sanction.

12. Has been subject to removal or dismissal from duties under Article 100, paragraph 1, subparagraph 2, or Article 101, paragraph 1 of the Futures Trading Act, and five years have not elapsed since such sanction.

13. It has been discovered that the person has allowed the use of his or her own name by others for the purpose of acting as a promoter, director, supervisor, managerial officer, or associated person of a SITE or SICE.

14. There is factual evidence that the person has engaged in or been involved in other dishonest or improper activities, showing him or her to be unsuitable for engaging in securities investment trust or securities investment consulting business.

In the case of a juristic-person promoter, the provisions of the preceding paragraph shall apply mutatis mutandis with respect to the exercise of duties by its representative or designated representative.

#### Article 4

No director, supervisor, or a shareholder holding 5 percent or more of the total issued shares of a SITE may concurrently serve as a promoter of another SITE.

No person who has a relationship of affiliated enterprise as defined in Chapter VI-I of the Company Act with respect to a director, supervisor, or shareholder holding 5 percent or more of the total issued shares, of a SITE may serve as a promoter of another SITE.

The calculation of the shareholding of a shareholder holding 5 percent or more of the total number of issued shares under the preceding two paragraphs shall include shares held by the shareholder's spouse and minor children and shares held through nominees.

#### Article 5

No promoter of a SITE may, within one year from the date of the company's incorporation, concurrently serve as a promoter of another SITE.

No person who has served as a promoter of a SITE by virtue of the qualifications in Article 8 may, within 3 years from the date the FSC issued a business license to that SITE, serve as a promoter of another SITE.

#### Article 6

Any document required by these Standards that is in a foreign language shall be accompanied by a Chinese-language translation, with the exception of an annual report, financial report, or prospectus.

Any document furnished by a foreign national, with the exception of written statements or photocopies of passports, shall have been legalized by an overseas ROC representative office, or certified by a court or government agency, or legalized by a statutory notary agency, in the home country of the foreign national.

### Chapter II Establishment of Securities Investment Trust Enterprises

#### Article 7

A SITE may be organized only as a company limited by shares, with paid-in

capital of no less than NT\$300 million.

The minimum paid-in capital under the preceding paragraph shall be fully subscribed by the promoters at the time of promotion.

#### Article 8

For operation of a SITE, there shall be one or more promoters that is a fund management institution, bank, insurance company, securities firm, or financial holding company meeting the qualifications specified below, and the combined share subscription of such qualified promoter or promoters may be no less than 20% of the first share issue:

1. Fund management institution:

(1) Has been established for at least a full 3 years, and has not been sanctioned by the competent authority of its home country for any reason related to fund management during the past 3 years.

(2) Has experience in the management or operation of international securities investment trust fund business.

(3) Among the assets managed by the institution and its controlling or subordinate institutions, the total value of fund assets of mutual funds, unit trusts and investment trusts that are raised through public offering for pooled investment in securities shall be no less than NT\$65 billion.

2. Bank:

(1) Has been established for at least a full 3 years, and has not been sanctioned by the competent authority of its home country for any reason related to fund management during the past 3 years.

(2) Has experience in international finance, securities, or trust business.

(3) Has been ranked during the past year among the world's top 1,000 banks in either assets or net worth.

3. Insurance company:

(1) Has been established for at least a full 3 years, and has not been sanctioned by the competent authority of its home country for any reason related to fund management during the past 3 years.

(2) Has experience in the management of insurance funds.

(3) Holds securities with a total asset value of at least NT\$8 billion.

4. Securities firm:

(1) Has been established for at least a full 3 years, and has been operating for at least a full 3 years as a securities firm engaged in the integrated operation of securities underwriting, dealing, and brokerage business.

(2) Has not been sanctioned under Article 66, subparagraphs 2 to 4 of the Securities and Exchange Act, or, in the case of a foreign securities firm, has not been sanctioned by the competent authority of its home country, during the past 3 years.

(3) Has paid-in capital of NT\$8 billion or more, and its net worth per share is not less than par value as shown in the CPA-audited and certified financial report for the most recent period.

5. Financial holding company: One of the subsidiaries in which the financial holding company controls 50% or more of the shares meets the qualification requirements set out in one of the preceding 4 subparagraphs. If a promoter meeting the qualification requirements in the preceding paragraph intends to transfer any of its shareholding in the SITE, the SITE shall file for recordation with the FSC before the promoter transfers the

shareholding.

#### Article 9

With the exception of shareholders meeting the qualification requirements set out in the preceding article, the sum total of the shares held by any single shareholder of a SITE and by the shareholder's related parties and by the shareholder through nominees shall not exceed 25% of the company's total issued shares.

A SITE duly incorporated prior to 1 March 1996 is not subject to the restriction of the preceding paragraph in relation to the sum total of the shares held by a shareholder and by the shareholder's related parties and by the shareholder through nominees. Notwithstanding the foregoing, once any shares in excess of the 25% limit are transferred to others, no shares may be purchased which make the sum total exceed that limit again.

The term "related parties" in the preceding two paragraphs means any party or parties meeting any of the following circumstances:

1. If the shareholder is a natural person: the shareholder's spouse, blood relative within the second degree of kinship, or any enterprise of which the shareholder or the shareholder's spouse is a responsible person.
2. If the shareholder is a juristic person: a juristic person controlled by the same party as the juristic-person shareholder, or with which the juristic-person shareholder has a relationship of mutual control.

#### Article 10

A SITE shall at least set up an investment research department, a finance and accounting department, and an internal audit department.

#### Article 11

A SITE shall allocate a sufficient number of competent department supervisors, managerial officers, and associated persons to meet its managerial needs in light of enterprise size, business conditions, and internal controls, who shall satisfy the qualification requirements set out in the Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises.

#### Article 12

For operation of a SITE, the promoters shall apply to the FSC for permission by filling out and submitting an application form, together with the following documents:

1. Articles of incorporation.
2. A business plan, specifying: operational principles; internal organization and segregation of duties; planning for the offering and issuance of securities investment trust funds and for business development for the coming 2 years; personnel recruitment and training; general description of premises and facilities; and financial forecasts for the coming 2 years.
3. A register of promoters, specifying: name (individual or company), national ID (or passport) number or government uniform invoice (GUI) number, address or company location, capital contribution, and subscription ratio. For natural-person promoters, the application must be accompanied by documentary proof of identify. For juristic-person promoters, the application must be accompanied by articles of incorporation, photocopy of documentary proof of incorporation registration, documentary proof of status as an ongoing concern, letter of appointment of the representative

and letter of acceptance from the appointed person, CPA-audited and certified financial report for the last fiscal year, register of directors, register of supervisors, register of major shareholders with a shareholding of 3% or more, and register of affiliated enterprises.

4. Promoters meeting minutes.

5. Documentary proof of the qualification requirements of promoter(s) complying with Article 8.

6. Written statement(s) that none of the circumstances in Articles 68, 73, and 76 of the SITC Act exists with respect to any promoter.

7. Written statement(s) that no violation of Article 75 of the SITC Act exists with respect to any promoter other than one falling under Article 8 hereof.

8. If a juristic-person promoter's duties are to be exercised by a representative or designated representative, the application shall be accompanied by a written statement that none of the circumstances in Article 68 of the SITC Act exists with respect thereto.

9. Review checklist for the application for establishment of the SITE, reviewed by a lawyer or CPA, and the summary opinion issued by the reviewer.

10. Written statement(s) that the application form and its attachments contain no misrepresentations or nondisclosures.

#### Article 13

A SITE shall, within 6 months from the day the FSC grants permission, duly complete all company registration procedures and apply to the FSC for issuance of a business license by filling out and submitting an application form, together with the following documents:

1. Documentary proof of company registration.

2. Articles of incorporation.

3. A shareholders register, and minutes of the relevant shareholders meetings.

4. Written statement(s) that no violation of Article 75 of the SITC Act exists with respect to any shareholder.

5. A register of directors and supervisors, and minutes of the relevant board of directors meetings.

6. A CPA-audited and certified financial report, accompanied by an unqualified opinion, issued within one month prior to the date of application.

7. Written statement(s) that none of the circumstances in Article 68 and Article 73, paragraph 1 of the SITC Act exists with respect to any director, supervisor, or managerial officer.

8. Documentary proof of qualifications showing that the general manager meets the qualifications set out in Article 3 of the Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises.

9. A list of the managerial officers, department supervisors, and associated persons, issued by the Securities Investment Trust and Consulting Association of the R.O.C. (SITCA) after reviewing their qualifications, together with documentary proof of their qualifications.

10. Written statement(s) that none of the circumstances in Article 68 and Article 78, paragraph 3 of the SITC Act exists with respect to any

responsible person or department supervisor.

11. Written statement(s) that none of the circumstances in Article 68 of the SITC Act exists with respect to any associated person.

12. Written statement(s) that all managerial officers, department supervisors, and associated persons are hired as full-time staff.

13. A photocopy of the ownership deed or lease agreement of the place of business, and the floor plans and photographs thereof.

14. Written statement(s) that the SITE has an independent place of business not jointly used by any other enterprise.

15. A written description of the internal control system and an unqualified review opinion issued by a CPA.

16. Documentary proof of admission to membership in the SITCA.

17. Review checklist for the SITE's application for issuance of business license.

18. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

The establishment permission granted to the SITE shall be revoked if it fails to apply for issuance of a business license within the period specified in the preceding paragraph. Notwithstanding the foregoing, if there is legitimate reason, an application may be filed with the FSC before expiration of that period for a maximum extension of 6 months, one time only.

The SITE may not commence business unless and until it has become a member of the SITCA.

#### Article 14

Upon an application to operate a SITE, the FSC may deny permission in any of the following circumstances:

1. Any violation of Article 73 or 75 of the SITC Act.
2. Non-compliance with the promoter qualification requirements of Article 8.
3. Any circumstance in Article 68 or 76 of the SITC Act exists with respect to any promoter.
4. Any violation of Article 68 or Article 78, paragraph 3 of the SITC Act with respect to any responsible person or department supervisor.
5. The business plan or internal control system is not concrete enough or cannot be effectively executed.
6. There is likelihood that the professional competence of any promoter is insufficient for sound and effective operation of securities investment trust business.
7. The application documents are found to contain any misrepresentation.

### Chapter III Concurrent Operation of Securities Investment Trust Business

#### Section I Trust Enterprises

#### Article 15

A trust enterprise intending to offer and issue a collective trust fund of which 40 percent or more of the offered and issued amount is to be invested in the securities set out in Article 6 of the Securities and Exchange Act, or from which NT\$600 million or higher are available for investment in the securities set out in Article 6 of the Securities and Exchange Act, shall file an application pursuant to the SITC Act for concurrent operation of

securities investment trust business before it may carry out such offering. This requirement shall not apply, however, to the offering and issuance of a money market collective trust fund.

#### Article 16

A trust enterprise applying to concurrently operate securities investment trust business pursuant to the provisions of Article 6 of the SITC Act and to the preceding article shall meet the following conditions:

1. Has net worth per share of not less than par value, as shown in the CPA-audited and certified financial report for the most recent period.
2. Has not, during the last half year, been sanctioned under Article 103, subparagraph 1 of the SITC Act, Article 66, subparagraph 1 of the Securities and Exchange Act, or Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act, and has not on 3 or more occasions been given an official reprimand and ordered to achieve improvement within a specified period of time under Article 44, paragraph 1, subparagraph 1 of the Trust Enterprise Act.
3. Has not, during the last two years, been sanctioned under Article 103, subparagraphs 2 to 5 of the SITC Act, Article 66, subparagraphs 2 to 4 of the Securities and Exchange Act, or Article 100, paragraph 1, subparagraphs 2 to 4 of the Futures Trading Act, or sanctioned under Article 44, paragraph 1, subparagraph 2, or paragraph 2, subparagraph 1 or 2 of the Trust Enterprise Act.

#### Article 17

A trust enterprise applying to concurrently operate securities investment trust business pursuant to these Standards shall do so in its institutional name.

#### Article 18

A trust enterprise that concurrently operates securities investment trust business shall allocate operating capital for that purpose in an amount as specified in Article 7.

The operating capital that the trust enterprise has allocated for its concurrently operated discretionary investment business, if any, may be calculated into the amount referred to in the preceding paragraph.

The operating capital that the trust enterprise allocates for its concurrently operated securities investment trust business may be used only for that exclusive purpose, and, unless an application has been made for concurrent operation of discretionary investment business pursuant to Article 65 of the SITC Act, or except as otherwise provided by law, may not be used for purposes other than for securities investment trust business.

#### Article 19

A trust enterprise concurrently operating securities investment trust business shall set up an investment analysis department. This requirement does not apply, however, if the trust enterprise has already set up an investment analysis department for another line of business it operates.

In a trust enterprise that concurrently operates securities investment trust business, the functions of associated persons engaging in investment or trading decision-making for that business may not be performed concurrently by personnel engaging in decision-making for investment or trading in collective trust fund business or with the enterprise's own money, and vice versa.



#### Article 20

A trust enterprise intending to concurrently operate securities investment trust business shall apply to the FSC for permission by filling out and submitting an application form, together with the following documents:

1. A business plan, specifying, with respect the concurrently operated securities investment trust business: operational principles; internal organization and segregation of duties; planning for offering and issuance of collective trust funds intended for investment in securities, and for business development, for the coming 2 years; personnel recruitment and training; and general description of premises and facilities.
2. Minutes of the relevant board of directors meetings, showing the resolution to concurrently operate securities investment trust business. If the trust enterprise is a foreign bank, documents bearing the signature of an entity or person authorized by the head office may be submitted in lieu thereof.
3. A register of directors and supervisors.
4. A register of qualified department supervisors and associated persons, issued by the SITCA after reviewing their qualifications, together with documentary proof of their qualifications.
5. Written statement(s) that none of the circumstances in Article 68 of the SITC Act exists with respect to any director, supervisor, department supervisor, or associated person. If the trust enterprise is a foreign bank, documents bearing the signature of an entity or person authorized by the head office may be submitted in lieu of written statements from directors and supervisors.
6. Written statement(s) that none of the circumstances in Article 78, paragraph 3 of the SITC Act exists with respect to any responsible person or department supervisor.
7. The CPA-audited and certified financial report for the most recent period.
8. A written description of the internal control system for the concurrently operated securities investment trust business, and an unqualified audit opinion letter issued by a CPA.
9. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

#### Article 21

A trust enterprise applying to concurrently operate securities investment trust business shall, within 6 months from the day the FSC grants permission, submit the following documents and register in compliance with the requirements of the FSC Banking Bureau:

1. A photocopy of the letter of permission issued in response to the trust enterprise's application to concurrently operate securities investment trust business.
2. A register of qualified department supervisors and associated persons, issued by the SITCA after reviewing their qualifications, together with documentary proof of their qualifications.
3. Documentary proof evidencing allocation of operating capital.
4. Documentary proof of admission to membership in the SITCA.

A trust enterprise permitted to concurrently operate securities investment trust business may not commence such business unless and until it has

become a member of the SITCA.

#### Article 22

Upon an application by a trust enterprise to concurrently operate a securities investment trust business, the FSC may deny permission in any of the following circumstances:

1. Any violation of Article 68 or Article 78, paragraph 3 of the SITC Act with respect to any responsible person or department supervisor.
2. The business plan, or the system of internal controls over the concurrently operated securities investment trust business, is not concrete enough or cannot be effectively implemented.
3. The application documents are found to contain any misrepresentation.

### Section II Securities Investment Consulting Enterprises

#### Article 23

A SICE meeting the following conditions may apply to concurrently operate securities investment trust business, provided, however, that such an application may not be made if the securities investment consulting business is operated on a concurrent basis by an enterprise in another line of business:

1. Has been in operation for at least a full 3 years.
2. Has paid-in capital of no less than NT\$300 million.
3. Has one or more shareholders meeting the qualification requirements in Article 8, with a shareholding or combined shareholding of no less than 20% of the total issued shares.
4. Has net worth per share of not less than par value, as shown in the CPA-audited and certified financial report for the most recent period.
5. Has not, during the last 3 months, for any reason related to its conduct of securities investment analysis or futures research and analysis activities, been subject to any action of official reprimand by the FSC pursuant to the SITC Act, or any action of warning, imposition of breach penalty, suspension of membership entitlements in part or in full, or revocation or suspension of membership by the SITCA or the Chinese National Futures Association (CNFA) pursuant to its self-regulatory rules.
6. Has not, during the last half year, been sanctioned under Article 103, subparagraph 1 of the SITC Act, Article 66, subparagraph 1 of the Securities and Exchange Act, or Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act.
7. Has not, during the last two years, been sanctioned under Article 103, subparagraphs 2 to 5 of the SITC Act, Article 66, subparagraphs 2 to 4 of the Securities and Exchange Act, or Article 100, paragraph 1, subparagraphs 2 to 4 of the Futures Trading Act.

If a SICE has been subject to a sanction or action under any of subparagraphs 5 to 7 of the preceding paragraph and has been ordered to achieve improvement, but has failed to effect concrete improvement by the time it applies to concurrently operate securities investment trust business, the FSC may deny its application.

#### Article 24

Article 73 of the SITC Act shall apply to a SICE concurrently operating securities investment trust business.

#### Article 25

A SICE concurrently operating securities investment trust business shall

set up an internal audit department. The same does not apply, however, if the SICE has already set up an internal audit department for the discretionary investment business it operates.

#### Article 26

A SICE intending to concurrently operate securities investment trust business shall apply to the FSC for permission by filling out and submitting an application form, together with the following documents:

1. A business plan, specifying, with respect to the concurrently operated securities investment trust business: operational principles; internal organization and segregation of duties; planning for issuance of securities investment trust funds through public offering or private placement, and for business development, for the coming 2 years; personnel recruitment and training; and general description of premises and facilities.
2. Minutes of the relevant board of directors meetings, showing the resolution to concurrently operate securities investment trust business.
3. A register of directors and supervisors.
4. Documentary proof for shareholder qualifications complying with Article 8.
5. Written statement(s) that none of the circumstances in Article 73 of the SITC Act exists with respect to any shareholder holding 5% or more of the total issued shares.
6. The CPA-audited and certified financial report for the most recent period. If at the time of application 6 months have already elapsed since the beginning of the fiscal year, a CPA-audited and certified financial report for the first half-year shall be additionally submitted.
7. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

The SICE may simultaneously apply for a branch unit to provide support in the public offering, sale, and private placement of beneficial certificates.

#### Article 27

A SICE that applies to concurrently operate securities investment trust business shall, within 6 months from the day the FSC grants permission, apply to the FSC for re-issuance of a business license by filling out and submitting an application form, together with the following documents:

1. Documentary proof of amendment to company registration.
2. Documentary proof of qualifications showing that the chairperson and general manager meet the qualifications set out in the Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises.
3. A register of qualified department supervisors and associated persons of business departments, issued by the SITCA after reviewing their qualifications, together with documentary proof of their qualifications.
4. Written statement(s) that none of the circumstances in Article 68, Article 73, and Article 78, paragraph 3 of the SITC Act exists with respect to any director or supervisor.
5. If a director or supervisor is a juristic person, a written statement that none of the circumstances in Article 68 of the SITC Act exists with respect to any representative or designated representative exercising duties on its behalf.

6. Written statement(s) that none of the circumstances in Article 68 and Article 78, paragraph 3 of the SITC Act exists with respect to any managerial officer or department supervisor.
7. Written statement(s) that none of the circumstances in Article 68 of the SITC Act exists with respect to any associated person.
8. Written statement(s) that all managerial officers, department supervisors, and associated persons are hired as full-time staff.
9. The CPA-audited and certified financial report for the most recent period. The report is not required, however, if it covers the same period as that covered by the financial report submitted in the application for permission.
10. A written description of the internal control system for the concurrently operated securities investment trust business, and an unqualified audit opinion letter issued by a CPA.
11. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

The internal control system referred to in subparagraph 10 of the preceding paragraph shall set out precautionary procedures and risk segmentation mechanisms to prohibit and prevent the occurrence of any conflict of interest with beneficial owners or customers or any act prejudicial to the rights or interests of beneficial owners or customers, in connection with codes of conduct, and rules governing concurrent appointment, of responsible persons and associated persons, information sharing, sharing of operating facilities or premises, or advertising, public informational meetings, and other business promotion activities.

The permission granted to the SICE for such concurrent operation shall be revoked if the SICE fails to apply for re-issuance of a SICE business license within the period set out in paragraph 1. Notwithstanding the foregoing, if there is legitimate reason, application may be filed with the FSC before expiration of that period for a maximum extension of 3 months, one time only.

The SICE may not commence such business operation unless and until it has submitted a filing with the SITCA for recordation.

#### Article 28

Upon an application by a SICE to concurrently operate securities investment trust business, the FSC may deny permission in any of the following circumstances:

1. Any violation of Article 68, Article 73, or Article 78, paragraph 3 of the SITC Act with respect to any responsible person or department supervisor.
2. Noncompliance with Article 23, paragraph 1, subparagraph 3.
3. The business plan, or the system of internal controls over the concurrently operated securities investment trust business, is not concrete enough or cannot be effectively implemented.
4. There is likelihood that its professional competence is insufficient for sound and effective operation of the concurrently operated securities investment trust business, or denial of permission is otherwise deemed necessary to protect the public interest.
5. The application documents are found to contain any misrepresentation.

#### Section III Futures Trust Enterprises

#### Article 29

A futures trust enterprise intending to use the assets of its futures trust fund to purchase and hold securities with an aggregate market value representing 40 percent or greater of the net asset value of the futures trust fund shall make a prior application to concurrently operate securities investment trust business in accordance with FSC requirements. The same shall not apply, however, in the case of offering and issuance of a futures trust fund-of-funds or a principal protection futures trust fund.

#### Article 30

A futures trust enterprise applying to concurrently operate securities investment trust business shall have the following qualifications, provided, however, that such an application may not be made if the futures trust enterprise is operated on a concurrent basis by an enterprise in another line of business:

1. Has paid-in capital of no less than NT\$300 million.
2. Has net worth per share of not less than par value, as shown in the CPA-audited and certified financial report for the most recent period.
3. Has not, during the last half year, been sanctioned under Article 103, subparagraph 1 of the SITC Act, or Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act.
4. Has not, during the last two years, been sanctioned under Article 103, subparagraphs 2 to 5 of the SITC Act, or Article 100, paragraph 1, subparagraphs 2 to 4 of the Futures Trading Act.

If a futures trust enterprise has been sanctioned under subparagraph 3 or 4 of the preceding paragraph and has been ordered to achieve improvement, but has failed to effect concrete improvement by the time it applies to concurrently operate securities investment trust business, the FSC may deny its application.

#### Article 31

Article 73 of the SITC Act shall apply to a futures trust enterprise concurrently operating securities investment trust business.

#### Article 32

When a futures trust enterprise concurrently operates securities investment trust business, the functions of associated persons engaging in investment or trading decision-making for any of its offered securities investment trust funds may not be performed concurrently by any of its futures trust fund managers, and vice versa.

#### Article 33

A futures trust enterprise intending to concurrently operate securities investment trust business shall apply to the FSC for permission by filling out and submitting an application form, together with the following documents:

1. A business plan, specifying, with respect the concurrently operated securities investment trust business: operational principles; internal organization and segregation of duties; planning for issuance of securities investment trust funds through public offering or private placement, and for business development, for the coming 2 years; personnel recruitment and training; and general description of premises and facilities.
2. Minutes of the relevant board of directors meetings, showing the resolution to concurrently operate securities investment trust business.

3. A register of directors and supervisors.
4. Written statement(s) that none of the circumstances in Article 73 of the SITC Act exists with respect to any shareholder holding 5% or more of the total issued shares.
5. The CPA-audited and certified financial report for the most recent period. If at the time of application 6 months have already elapsed since the beginning of the fiscal year, a CPA-audited and certified financial report for the first half-year shall be additionally submitted.
6. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

The futures trust enterprise may simultaneously apply for a branch unit to provide support in the public offering, sale, and private placement of beneficial certificates of securities investment trust funds. The documents and procedures for the application for permission and for re-issuance of a business license shall be as provided in Articles 36 and 37 hereof.

#### Article 34

A futures trust enterprise that applies to concurrently operate securities investment trust business shall, within 6 months from the day the FSC grants permission, apply to the FSC for re-issuance of a business license by filling out and submitting an application form, together with the following documents:

1. Documentary proof of amendment to company registration.
2. Documentary proof of qualifications showing that the chairperson and general manager meet the qualifications set out in the Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises.
3. A register of qualified managerial officers, department supervisors, and associated persons for the concurrently operated securities investment trust business, issued by the SITCA after reviewing their qualifications, together with documentary proof of their qualifications.
4. Written statement(s) that none of the circumstances in Article 68, Article 73, and Article 78, paragraph 3 of the SITC Act exists with respect to any director or supervisor.
5. When a director or supervisor is a juristic person, a written statement that none of the circumstances in Article 68 of the SITC Act exists with respect to any representative or designated representative exercising duties on its behalf.
6. Written statement(s) that none of the circumstances in Article 68 and Article 78, paragraph 3 of the SITC Act exists with respect to any managerial officer or department supervisor conducting the concurrent operation of securities investment trust business.
7. Written statement(s) that none of the circumstances in Article 68 of the SITC Act exists with respect to any associated person conducting the concurrent operation of securities investment trust business.
8. Written statement(s) that all managerial officers, department supervisors, and associated persons for the concurrently operated securities investment trust business are hired as full-time staff.
9. The CPA-audited and certified financial report for the most recent period. The report is not required, however, if it covers the same period as that covered by the financial report submitted in the application for

permission.

10. A written description of the internal control system for the concurrently operated securities investment trust business, and an unqualified audit opinion letter issued by a CPA.

11. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

The internal control system referred to in subparagraph 10 of the preceding paragraph shall set out precautionary procedures and risk segmentation mechanisms to prohibit and prevent the occurrence of any conflict of interest with beneficial owners or customers or any act prejudicial to the rights or interests of beneficial owners or customers, in connection with codes of conduct, and rules governing concurrent appointment, of managerial officers, department supervisors, and associated persons, information sharing, sharing of operating facilities or premises, or advertising, public informational meetings, and other business promotion activities.

The permission granted to the futures trust enterprise for such concurrent operation will be revoked if it fails to apply for re-issuance of a futures trust enterprise business license within the period set out in paragraph 1. Notwithstanding the foregoing, if there is legitimate reason, application may be filed with the FSC before expiration of that period for a maximum extension of 3 months, one time only.

The futures trust enterprise may not commence its concurrent operation of securities investment trust business unless and until it has become a member of the SITCA.

#### Article 35

Upon an application by a futures trust enterprise to concurrently operate securities investment trust business, the FSC may deny permission in any of the following circumstances:

1. Any violation of Article 68, Article 73, or Article 78, paragraph 3 of the SITC Act with respect to any responsible person or department supervisor.
2. The business plan, or the system of internal controls over the concurrently operated securities investment trust business, is not concrete enough or cannot be effectively implemented.
3. There is likelihood that its professional competence is insufficient for sound and effective operation of the concurrently operated securities investment trust business, or denial of permission is otherwise deemed necessary to protect the public interest.
4. The application documents are found to contain any misrepresentation.

#### Article 36

When a futures trust enterprise concurrently operating securities investment trust business intends to have any branch unit to provide support in the public offering, sale, and private placement of beneficial certificates of securities investment trust funds, it shall apply to the FSC for permission by filling out and submitting an application form, together with the following documents:

1. Minutes of the relevant board of directors meetings, showing the resolution for the branch unit to provide support in the public offering, sale, and private placement of beneficial certificates of securities investment trust funds.

2. A written description of the internal control system for the branch unit providing support in the public offering, sale, and private placement of beneficial certificates of securities investment trust funds.

3. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

The internal control system referred to in subparagraph 2 of the preceding paragraph shall set out rules governing concurrent appointment, and codes of conduct, of any and all managerial officers, department supervisors, and associated persons of the branch unit who provide support in the public offering, sale, and private placement of beneficial certificates of securities investment trust funds.

#### Article 37

When a futures trust enterprise concurrently operating securities investment trust business files an application pursuant to the preceding Article, it shall, within 6 months from the day the FSC grants permission, apply to the FSC for re-issuance of a branch unit business license by filling out and submitting an application form, together with the following documents:

1. A register of qualified managerial officers, department supervisors, and associated persons of the branch unit, issued by the SITCA after reviewing their qualifications, together with documentary proof of their qualifications.

2. Written statement(s) that none of the circumstances in Article 68 and Article 78, paragraph 3 of the SITC Act exists with respect to any managerial officer or department supervisor of the branch unit.

3. Written statement(s) that none of the circumstances in Article 68 of the SITC Act exists with respect to any associated person of the branch unit.

4. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

The permission granted to the futures trust enterprise concurrently operating securities investment trust business to allow its branch unit to provide support in the public offering, sale, and private placement of beneficial certificates of securities investment trust funds, shall be revoked if the futures trust enterprise fails to apply for re-issuance of a business license for the branch unit within the period set out in the preceding paragraph. Notwithstanding the foregoing, if there is legitimate reason, application may be filed with the FSC before expiration of that period for a maximum extension of 3 months, one time only.

### Section IV Managed Futures Enterprises

#### Article 38

A managed futures enterprise meeting the following qualifications may apply to concurrently operate securities investment trust business, provided, however, that such an application may not be made if the managed futures enterprise is operated on a concurrent basis by an enterprise in another line of business:

1. Has been in operation for at least a full 3 years.

2. Has paid-in capital of no less than NT\$300 million.

3. Has one or more shareholders meeting the qualification requirements in Article 8, with a shareholding or combined shareholding of no less than 20% of the total issued shares.



4. Has net worth per share of not less than par value, as shown in the CPA-audited and certified financial report for the most recent period.

5. Has not, during the last half year, been sanctioned under Article 103, subparagraph 1 of the SITC Act, or Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act.

6. Has not, during the last two years, been sanctioned under Article 103, subparagraphs 2 to 5 of the SITC Act, or Article 100, paragraph 1, subparagraphs 2 to 4 of the Futures Trading Act.

If a managed futures enterprise has been sanctioned under subparagraph 5 or 6 of the preceding paragraph and has been ordered to achieve improvement, but has failed to effect concrete improvement by the time it applies to concurrently operate securities investment trust business, the FSC may deny its application.

#### Article 39

Article 73 of the SITC Act shall apply to a managed futures enterprise concurrently operating securities investment trust business.

#### Article 40

A managed futures enterprise concurrently operating securities investment trust business shall set up an investment research department, a finance and accounting department, and an internal audit department. The same shall not apply, however, if such departments have already been set up.

#### Article 41

In a managed futures enterprise concurrently operating securities investment trust business, the functions of associated persons engaging in investment or trading decision-making for any of its offered securities investment trust funds may not be performed concurrently by personnel engaging in discretionary trading for discretionary futures trading business, and vice versa.

#### Article 42

A managed futures enterprise intending to concurrently operate securities investment trust business shall apply to the FSC for permission by filling out and submitting an application form, together with the following documents:

1. A business plan, specifying, with respect to the concurrently operated securities investment trust business: operational principles; internal organization and segregation of duties; planning for issuance of securities investment trust funds through public offering or private placement, and for business development, for the coming 2 years; personnel recruitment and training; and general description of premises and facilities.
2. Minutes of the relevant board of directors meetings, showing the resolution to concurrently operate securities investment trust business.
3. A register of directors and supervisors.
4. Documentary proof for shareholder qualifications complying with Article 8.
5. Written statement(s) that none of the circumstances in Article 73 of the SITC Act exists with respect to any shareholder holding 5% or more of the total issued shares.
6. The CPA-audited and certified financial report for the most recent period. If at the time of application 6 months have already elapsed since the beginning of the fiscal year, a CPA-audited and certified financial

report for the first half-year shall be additionally submitted.

7. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

The managed futures enterprise may simultaneously apply for a branch unit to provide support in the public offering, sale, and private placement of beneficial certificates of securities investment trust funds. The documents and procedures for the application for permission and for re-issuance of a business license shall be subject, *mutatis mutandis*, to the provisions in Articles 36 and 37 hereof.

Article 43

Article 34 shall apply *mutatis mutandis* to a managed futures enterprise applying to concurrently operate securities investment trust business.

Article 44

Upon an application by a managed futures enterprise to concurrently operate securities investment trust business, the FSC may deny permission in any of the following circumstances:

1. Any violation of Article 68, Article 73, or Article 78, paragraph 3 of the SITC Act with respect to any responsible person or department supervisor.
2. Noncompliance with Article 38, paragraph 1, subparagraph 3.
3. The business plan, or the system of internal controls over the concurrently operated securities investment trust business, is not concrete enough or cannot be effectively implemented.
4. There is likelihood that its professional competence is insufficient for sound and effective operation of the concurrently operated securities investment trust business, or denial of permission is otherwise deemed necessary to protect the public interest.
5. The application documents are found to contain any misrepresentation.

#### Chapter IV Establishment of Branch Units

Article 45

A SITE meeting the following conditions may apply to establish a branch unit:

1. Has been in operation for at least a full year. Such restriction does not apply, however, to the establishment of a branch unit as a result of merger or transfer.
2. Has net worth per share of not less than par value, as shown in the CPA-audited and certified financial report for the most recent period.
3. Has not, during the last 3 months, been sanctioned under Article 103, subparagraph 1 of the SITC Act or Article 66, subparagraph 1 of the Securities and Exchange Act.
4. Has not, during the last half year, been sanctioned under Article 103, subparagraph 2 or 3 of the SITC Act or Article 66, subparagraph 2 of the Securities and Exchange Act.
5. Has not, during the last year, been sanctioned under Article 103, subparagraph 4 of the SITC Act or Article 66, subparagraph 3 of the Securities and Exchange Act.
6. Has not, during the last 2 years, been sanctioned under Article 103, subparagraph 5 of the SITC Act or Article 66, subparagraph 4 of the Securities and Exchange Act.

If a SITE has been sanctioned under any of subparagraphs 3 to 6 of the

preceding paragraph and has been ordered to achieve improvement, but has failed to effect concrete improvement by the time it applies to establish a branch unit, the FSC may deny its application.

#### Article 46

A SITE intending to establish a branch unit shall apply to the FSC for permission by filling out and submitting an application form, together with the following documents:

1. Articles of incorporation.
2. A business plan, specifying, with respect to the branch unit: operational principles; internal organization and segregation of duties; personnel recruitment and training; general description of premises and facilities; and financial forecasts for the coming year.
3. Minutes of the relevant board of directors meetings, showing the resolution to establish the branch unit.
4. The CPA-audited and certified financial report for the most recent period.
5. A description of the internal control system of the branch unit.
6. Written statement(s) that none of the circumstances in Article 68 and Article 78, paragraph 3 of the SITC Act exists with respect to any managerial officer of the branch unit.
7. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

#### Article 47

A SITE permitted to establish a branch unit shall, within 6 months from the day the FSC grants permission, complete all establishment registration procedures for the branch unit and apply to the FSC for issuance of a business license for the branch unit by filling out and submitting an application form, together with the following documents:

1. Documentary proof evidencing the establishment registration of the branch unit.
2. The CPA-audited and certified financial report for the most recent period; the report is not required, however, if it covers the same period as that covered by the financial report submitted in the application for establishment permission.
3. A photocopy of the ownership deed or lease agreement of the place of business of the branch unit, and floor plans and photographs thereof.
4. A written statement that the application form and its attachments contain no misrepresentations or nondisclosures.

The permission granted to the SITE for establishment of a branch unit shall be revoked if it fails to apply for issuance of a business license for that branch unit within the period set out in the preceding paragraph.

Notwithstanding the foregoing, if there is legitimate reason, an application may be filed with the FSC before expiration of that period for a maximum extension of 6 months, one time only.

### Chapter V Supplementary Provisions

#### Article 48

A SITE applying to the FSC for issuance of a business license shall pay a license fee in an amount as described below:

1. For the establishment of a SITE, 1/4,000th of statutory minimum paid-in capital.

2. For the establishment of a branch unit by a SITE, NT\$2,000.

With the exception of a trust enterprise, to which the requirements of the FSC Banking Bureau shall apply, an enterprise in another line of business applying to the FSC for re-issuance of a business license for concurrent operation of securities investment trust business shall pay a license fee in an amount as described below:

1. For the concurrent operation of securities investment trust business by a SICE, futures trust enterprise, or managed futures enterprise, 1/4,000th of the statutory minimum paid-in capital set out in Article 7.

2. When a futures trust enterprise or managed futures enterprise concurrently operating securities investment trust business applies for a branch unit to provide support in the offering, sale, or private placement of beneficial certificates of securities investment trust funds, NT\$2,000. A SITE applying to the FSC for re-issuance of a business license shall pay a license fee of NT\$1,000.

The license fee is not required for an application for re-issuance of a business license because of a change of address due to administrative re-districting or re-numbering of street address plate numbers.

#### Article 49

In the case of any incomplete submission of the application documents required by these Standards or if any required information is missing or incomplete, and if the FSC imposes a deadline for supplementation or correction and the deadline is not met, the application shall be dismissed.

#### Article 50

The format of documents required by these Standards shall be announced by the FSC.

#### Article 51

These Standards shall enter into force from the date of issuance.