Content

Title：	Directions for the Conduct of Wealth Management Business by Securities Firms Ch
Date：	2014.08.28
Legislative：	1. Full text of 18 points adopted and issued per 27 July 2005 Letter No. Financial-Supervisory-Securities-II-0940003314 of the Financial Supervisory Commission, Executive Yuan 2. Points 2 and 17 amended and issued per 30 May 2006 Letter No. Financial-Supervisory-Securities-II-0950002530 of the Financial Supervisory Commission, Executive Yuan 3. Full 29 points amended and issued per 11 April 2008 Letter No. Financial-Supervisory-Securities-II-097001407 of the Financial Supervisory Commission, Executive Yuan; for immediate effect 4. Full text of 35 points amended and issued per 28 September 2009 Order No. Financial-Supervisory-Securities-Firms-0980050616 of the Financial Supervisory Commission, Executive Yuan 5. Point 6 amended and issued per 24 October 2011 Order No. Financial-Supervisory-Securities-Firms-1000049852 of the Financial Supervisory Commission, Executive Yuan 6. Points 1, 4 to 6, and 9 to 11 amended and issued per 30 December 2013 Order No. Financial-Supervisory-Securities-Firms-10200526741 of the Financial Supervisory Commission; for immediate effect 7. Point 4 amended and issued per 28 August 2014 Order No. Financial-Supervisory-Securities-Firms-10300309881 of the Financial Supervisory Commission
Content：	1　These Directions are adopted pursuant to the proviso of Article 45, paragraph 1 of the Securities and Exchange Act. 2　The term "wealth management business" refers to a securities firm, through its associated persons, providing a high net worth customer with the following services according to the demands of the customer: 1.Consulting in connection with asset allocation or financial planning, or services in connection with the sale of financial products.. 2.Performing asset allocation on behalf of the customer by means of a trust. Each individual securities firm sets its own criteria, based on its operational strategies, or with reference to the criteria for professional investors under Article 3 of the Regulations Governing Offshore Structured Instruments, for what constitutes a "high net worth customer" as set out in the preceding paragraph. 3　To conduct wealth management business by means of trusts, a securities firm shall apply for approval to concurrently operate money trusts and securities trusts pursuant to these Directions and the Regulations Governing the Concurrent Operation of Trust Business by Securities Investment Trust Enterprises, Securities Investment Consulting Enterprises, and Securities Firms (hereinafter, "the Regulations Governing the Concurrent Operation of Trust Business"). When conducting wealth management business by means of trusts, a securities firm shall comply with the Trust Enterprise Act, the Regulations Governing the Concurrent Operation of Trust Business, and these Directions,

and shall also comply with the Securities and Exchange Act, Trust Act, and other relevant regulations.

If wealth management business conducted by a securities firm by means of trusts involves the operation of foreign exchange business, the Central Bank's approval shall also be obtained.

4 A securities firm may conduct wealth management business by means of trusts, and apply to concurrently operate money trusts and securities trusts. Except as provided by applicable laws or regulations or as otherwise provided by the Financial Supervisory Commission (FSC), the types of trust business shall be limited to the following:

1.non-discretionary individual management.

2.non-discretionary collective management.

3.semi-discretionary individual management for which the principal designates the scope or method of use.

4.semi-discretionary collective management for which the principal designates the scope or method of use.

A securities firm shall manage trust assets separately from its proprietary assets and other trust assets. When a securities firm accepts, uses, and manages trust assets, the trust assets shall be represented under the name of trust assets of the securities firm. If the trust asset is money, the securities firm shall deposit it in a bank meeting the following qualifications:

1.In the case of a domestic bank (including any subsidiary organized and registered by a foreign bank in the Republic of China pursuant to the Banking Act), the common equity ratio, tier-one capital ratio, and capital adequacy ratio shall meet the following requirements:

A.They may not be less than the minimum ratios specified under Article 5, paragraph 1, subparagraphs 1 and 2 of the Regulations Governing the Capital Adequacy and Capital Category of Banks.

B.If any minimum ratio under the preceding item is raised by the FSC pursuant to Article 5, paragraph 2 of the Regulations Governing the Capital Adequacy and Capital Category of Banks, the bank's ratio may not be less than the raised ratio.

2.In the case of a foreign bank's branch in the Republic of China, the credit rating of its head office shall meet the standard set out in Attachment 1.

A securities firm conducting the type of business under paragraph 1, subparagraphs 3 and 4, and accepting NT$10 million or more from the customer in original trust assets, shall, pursuant to the Regulations Governing the Concurrent Operation of Trust Business, Standards Governing the Establishment of Securities Investment Consulting Enterprises, and Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises (hereinafter, "Regulations Governing the Conduct of Discretionary Investment Business"), apply to concurrently operate a securities investment consulting enterprise (SICE) that conducts discretionary investment business by means of trusts. A securities firm shall conduct the type of business under paragraph 1, subparagraph 4 in accordance with the Regulations Governing Collective Management and Utilization of Trust Funds, and related laws and regulations.

5 A securities firm applying to conduct the business under point 2, paragraph 1, subparagraph 1 shall meet the following conditions and qualifications, and shall obtain approval from the FSC:

1.Regulatory capital adequacy ratio: its regulatory capital adequacy ratio reported prior to applying exceeds 200 percent.

2.Financial position meets any of the following conditions:

A.Its CPA audited or reviewed financial report for the most recent period shows no accumulated deficit, and its financial position meets the provisions of Articles 13, 14, 16, 18, 18-1 and 19 of the Regulations Governing Securities Firms.

B.The holding company that directly or indirectly holds 100 percent of the shares of the securities firm provides an unconditional and irrevocable guaranty securing the liabilities of the securities firm.

3.Legal compliance

A.Has not, within the past three months, been sanctioned under Article 66, subparagraph 1 of the Securities and Exchange Act or under Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act.

B.Has not, within the past six months, been sanctioned under Article 66, subparagraph 2 of the Securities and Exchange Act or under Article 100, paragraph 1, subparagraph 2 of the Futures Trading Act.

C.Has not, within the past one year, had a sanction imposed by the FSC to suspend its business.

D.Has not, within the past two years, had a sanction imposed by the FSC to void any part of its business permit.

E.Has not, within the past one year, had a sanction of suspended or restricted trading imposed on it by the Taiwan Stock Exchange Corporation (TWSE), GreTai Securities Market (GTSM), or Taiwan Futures Exchange (TAIFEX), under the operating rules or bylaws thereof.

4.Has established a legal compliance unit and a person in charge thereof pursuant to the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinafter "Regulations Governing Internal Control").

A securities firm that fails to meet the compliance requirements in subparagraph (3) of the preceding paragraph may be exempted from restriction under that subparagraph if has already corrected the infraction and provide specific documentary proof thereof.

An ROC branch of a foreign securities firm applying to conduct business under paragraph 1 shall comply with paragraph 1, subparagraphs 3 and 4, and the regulatory capital adequacy ratio, financial position, and the long-term credit rating of its head office shall comply respectively with subparagraphs 1 and 2 of paragraph 1, and Attachment 2.

6 A securities firm applying to conduct the business under point 2, paragraph 1, subparagraph 2 shall meet the below-listed conditions and qualifications, and obtain the approval of the FSC:

1.Regulatory capital adequacy ratio: The regulatory capital adequacy ratio prior to application exceeds 200 percent.

2.The financial condition meets one of the following conditions:

A.The CPA-audited and attested financial report for the most recent period states net worth of not less than NT$10 billion and not lower than the paid-in capital.

B.The CPA-audited and attested financial report for the most recent period states total assets of not less than NT$20 billion, net worth of not less than NT$6 billion and not less than paid-in capital, and a profit in each of the past three years.

C.A holding company that directly or indirectly holds 100 percent of the shares of the securities firm, or a financial holding company that has a controlling interest in the securities firm, meets the conditions in one of the two preceding subparagraphs, and issues an unconditional and irrevocable guaranty securing the liabilities of the securities firm.

3.Legal Compliance

A.Has not, within the past three months, been sanctioned under Article 66, subparagraph 1 of the Securities and Exchange Act or under Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act.

B.Has not, within the past six months, been sanctioned under Article 66, subparagraph 2 of the Securities and Exchange Act or under Article 100, paragraph 1, subparagraph 2 of the Futures Trading Act.

C.Has not, within the past one year, had a sanction imposed by the FSC to suspend its business.

D.Has not, within the past two years, had a sanction imposed by the FSC to void any part of its business permit.

E.Has not, within the past one year, had a sanction of suspended or restricted trading imposed on it by the TWSE, GTSM, or TAIFEX, under the operating rules or corporate thereof.

F.Has not, within the past 6 months, been given an official reprimand or ordered to take corrective action under Article 44 of the Trust Enterprise Act.

G.Has not, within the past 2 years, been sanctioned under Article 44, subparagraph 1, 2, or 3 of the Trust Enterprise Act.

4.Has established a legal compliance unit and a person in charge thereof pursuant to the Regulations Governing Internal Control.

After a securities firm has been approved by the FSC to conduct the business under the preceding paragraph, if its regulatory capital adequacy ratio or net worth for two consecutive months fail to meet the requirements of the preceding paragraph, it shall suspend conducting the business under the preceding paragraph, and may resume it only after its regulatory capital adequacy ratio or net worth have met the requirements for three consecutive months, and it has reported to and received approval from the FSC.

A securities firm failing to meet a condition in subparagraph 3 of paragraph 1 may be exempted from restriction under that subparagraph if has already corrected the infraction and provides specific documentary proof thereof.

An ROC branch of a foreign securities firm applying to conduct business under paragraph 1 shall comply with paragraph 1, subparagraphs 3 and 4, and the regulatory capital adequacy ratio, financial condition, and long-term credit rating of its head office shall comply respectively with subparagraphs 1, and 2 of paragraph 1, and Attachment 3.

7 If wealth management business conducted by a securities firm involves another financial business for which special approval is required, permission for concurrent conduct of such business and the qualification

requirements for personnel to engage in the business shall be handled in accordance with legal provisions governing the business in question.

If wealth management business conducted by a securities firm involves offshore structured instruments or any other financial products for which a distinction exists between professional investor and non-professional investor, the securities firm shall additionally conduct the business pursuant to the regulations applicable thereto.

8 A securities firm conducting wealth management business shall, acting in accordance with laws and regulations governing the products and services that it provides, adopt the following management policy and working procedures, which shall be implemented after they have been approved by the board of directors (or, in the case of an ROC branch of a foreign securities firm, such approval may be given by a person authorized by the head office):

1.Management policy: Shall at least include wealth management business objectives and strategies, market positioning, customer segmentation, products and services, organizational structure, and segregation of duties.

2.Working procedures: Shall contain at least the following items:

A.Personnel administration rules for the associated persons handling wealth management business ["wealth managers"].

B.Working procedures for "Know Your Customers" evaluating.

C.Working procedures for monitoring unusual and suspicious transactions.

D.Procedures for using customer data, maintaining its confidentiality, and handling customer comments.

E.Working procedures for business promotion and risk management of customer accounts.

F.Mechanisms to prevent insider trading and conflicts of interest.

G.An internal control and internal audit system, and a risk management system.

9 To conduct wealth management business, a securities firm that conducts wealth management business shall establish a dedicated department in its head office, and charge the department with the duties of business planning and implementation, and management of personnel.

The personnel of a securities firm's head office or branch unit conducting wealth management business shall meet the conditions and qualifications required for associated persons conducting wealth management business. Persons failing to meet such conditions and qualification may neither sell products in the name of wealth management nor carry on business in the name of wealth managers.

10 A securities firm conducting wealth management business by means of trusts shall set up a dedicated department for trust business in its head office. Such dedicated department for trust business may be merged into the dedicated department under Point 9, paragraph 1, provided that those in the merged dedicated department with power to decide the allocation of trust assets may not handle businesses from outside of the dedicated department

The dedicated department for trust business under the preceding paragraph may handle the acceptance, management, allocation, and disposition of trust assets. Unless approval is obtained from the FSC, the trust business that a branch office may conduct is limited to accepting

trust assets.

When the type of business under Point 4, paragraph 1, subparagraph 3 conducted by a securities firm involves discretionary investment business, the securities firm may establish within the dedicated department for trust business under paragraph 1 a dedicated unit for discretionary investment business to handle discretionary investment business, or follow the provisions set out in Article 31-1, paragraph 1 of the Regulations Governing the Conduct of Discretionary Investment Business.

The personnel of the dedicated unit of the preceding paragraph may not handle business other than that of the dedicated unit, nor may business of the dedicated unit be handled by personnel other than those of the unit.

11 The personnel handling wealth management business in a securities firm shall meet the following qualifications and conditions:

1.The persons in charge shall meet the qualifications and conditions under Article 5 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms (hereinafter, "Regulations Governing Personnel"), and the associated persons shall meet the qualifications and conditions of Article 6 of the Regulations Governing Personnel.

2.Meets other qualifications and conditions and training criteria set by the Taiwan Securities Association (the "Securities Association"), and reported to and approved by the FSC.

When a securities firm conducts wealth management business by means of trusts, the supervising personnel (including the person in charge of the internal audit department), managerial personnel, and associated persons shall meet the provisions of the Regulations Governing the Required Qualifications for Responsible Persons and Required Trust Expertise or Experience for Operating and Managerial Personnel of Trust Enterprises (hereinafter, the "Regulations Governing Expertise or Experience") with the exceptions of Articles 3 to 9 and Article 12 thereof.

The internal auditing of a securities firm conducting wealth management business shall meet the following qualifications and conditions:

1.Internal audit personnel for the business under Point 2, paragraph 1, subparagraph 1 shall meet the qualifications and conditions under paragraph 1.

2.Internal audit personnel for the business under Point 2, paragraph 1, subparagraph 2 shall meet the qualifications and conditions of Article 16, paragraph 1 of the Regulations Governing Expertise or Experience.

For a securities firm conducting wealth management business by means of trusts, its officers with authority to approve business operations or transactions shall comply with Article 24 of the Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies and Banking Enterprises, or attend training sessions for internal auditors organized by institutions approved by the FSC, and obtain the required qualifications.

12 The personnel administration rules for wealth managers adopted by a securities firm shall at least include personnel qualification requirements, professional training and prerequisites, a code of professional ethics, and a salary, reward, and performance evaluation system.

To enhance the competence of wealth managers, a securities firm shall

on an ongoing basis administer education and training for such personnel and shall, for all working procedures and rules, adopt standard operating procedures for compliance by wealth managers.

13 Working procedures adopted by a securities firm for "Know Your Customer" evaluating rules shall be tailored to the characteristics of each different by type of business, and shall at least include the following:

1.Customer acceptance and account opening:

A.Procedures for opening customer accounts and the minimum dollar amount and conditions required to enter into the business relationship, and the circumstances in which the securities firm may refuse to do business or to accept a customer. Stricter due diligence and approval procedures shall be in place for higher risk individuals of specific backgrounds or professions, and family members thereof.

B.Procedures for building basic information on the customer, including customer identity and basic background information, customer credit information, wealth management needs and goals, and other information relating to the customer's credit standing, profession engaged in and source of assets (describe in detail the economic activities that produced the wealth), and verification of the information provided by the customer.

C.In a situation where a customer authorizes another person to sign and open an account on his or her behalf, additional evaluation shall be conducted on such authorized representative and the beneficiary shall be identified.

2.Evaluation of customer's investment capacity: Evaluation of a customer's investment capacity and acceptance of a customer's mandate shall, in addition to taking into consideration the information referred to in the preceding subparagraph, take the following information into overall consideration as well as the approval procedures for large transactions of over a certain dollar amount:

A.The customer's fund utilization status and professional competence.

B.The customer's investment attributes, understanding of risk, and risk tolerance.

C.Suitability of customer services, suitable range of investment recommendations, or suitable transaction amounts.

3.Updating of customer evaluation materials:

A.The securities firm shall update customer information in a timely manner, and closely monitor any change in a customer's financial position.

B.The evaluation of a customer's investment ability and the acceptance of transactions shall be reviewed and revised in light of any changes in a customer's information and other relevant supporting materials.

4.Verification of the customer information and customer investment capacity evaluation: The securities firm shall designate personnel other than those involved in handling wealth management business, or other independent control personnel, to perform regular audits of the customer files for accuracy, consistency, and completeness.

14 The work procedures adopted by securities firms for surveillance of unusual or suspicious transactions shall at least include the following:

1.Establishing a management system that identifies, tracks, and controls unusual or suspicious transactions.

2.Establishing management-by-exception mechanisms for banking

activities of higher risk customers and, on the basis of past transactions or case reports from relevant agencies, establishing a database (dossiers) on unusual and suspicious transactions that is sufficient to the development and complexity of the business.

15 When a securities firm adopts procedures for the use of customer data, maintenance of its confidentiality, and the handling of customer comments, such procedures shall at least include:

1.The scope of use and maintenance of customer information and levels of personnel authorization, and control mechanisms to guard against unauthorized disclosure and other improper use of customer information.

2.Working procedures governing the processing of customer comments and complaints, and investigation of, response to, and handling of customer comments and complaints. In addition, the person in charge shall periodically monitor and provide guidance on the handling of customer complaints.

16 When a securities firm adopts working procedures for business promotion and risk management of customer accounts, such procedures shall include at least:

1.The securities firm shall adopt standard operating procedures for conducting the promotion of wealth management business, to ensure that the workflow and related documents are compliant with the applicable legal requirements, and shall cover such matters as product explanations, risk disclosure, and fee itemizations and standards (including products sold on consignment).

2.When selling products, the securities firm shall provide a risk disclosure statement to the customer, and shall ask the customer to provide written confirmation that he or she understands the product risks. A wealth manager shall implement a check procedure to confirm whether a customer is involved in money laundering or unlawful transactions, and shall furnish a written report of confirmation.

3.The securities firm shall prepare and provide to the customer a handbook on customer rights and interests, and shall include information on how the customer can express comments and lodge complaints, the mechanism whereby the securities firm responds to and handles customer comments, and other information related to the safeguarding of customer rights and interests.

4.If a securities firm conducting wealth management business recommends or sells to a customer any product issued by another institution, it shall be liable for any dispute arising in connection with any promotion of false products or failure to properly disclose associated risk. This liability shall be fully disclosed to customers in the handbook on customer rights and interests referred to in subparagraph (3).

5.The securities firm shall establish transaction control mechanisms to avoid providing to customers products or services exceeding their credit limits, financial capacity, or suitable investment scope, and to avoid unauthorized business activities or improper consulting activities by wealth managers.

6.For important documents and reports that the securities firm provides to the customer, it shall establish an appropriate control mechanism and indicate the number of years information is to be kept on

file, to ensure the suitability and accuracy of the content. Where there is an information change or data error of material significance, the securities firm shall promptly notify the customer and handle the matter appropriately.

7.The securities firm shall adopt appropriate working rules, and closely monitor, evaluate, and report to the customer any changes in a customer's asset allocation and investment portfolio.

8.The securities firm shall establish a system for reporting to the customer regularly and from time to time. Apart from the report items set out in subparagraphs (6) and (7), which are mandatory, the content, scope, manner, and frequency of other related reports shall be set by mutual agreement between the two parties.

9.When selling a financial product, the securities firm shall give comprehensive consideration to the term and risk level of the financial product, and to the customer's age, experience in the trading of financial products, and degree of risk tolerance.

10.When conducting wealth management business, the securities firm shall keep records of the content of its important communications with the customer with respect to matters such as its introduction of the financial products and risk disclosures and shall keep the records on file for inspection.

For securities firms conducting wealth management business, guidelines with respect to the conduct of financial product sales, sales advertising and business promotional activities shall be drawn up by the Securities Association and reported to the FSC for review and approval.

Where a securities firm conducts wealth management business by means of trusts, its advertising, soliciting, and business promotional activities for the trust business shall be governed by the Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises (hereinafter,"Regulations Governing the Conclusion of Contract by Trust Enterprises".

17 The mechanisms adopted by a securities firm to prevent insider trading and conflicts of interest shall at least include:

1.Mechanisms shall be put in place for segregating information respectively belonging to the department of wealth management business and other departments, to prevent improper disclosure.

2.The securities firm shall employ ongoing training to improve the professional ethics of wealth managers.

3.Associated persons engaging in wealth management business shall put top priority on customer interests. The person in charge of the department of wealth management business shall decline approval when a transaction with a specific individual would be improper due to the likelihood of conflict with a customer's interests.

4.A securities firm shall exercise tightened control over wealth managers, and prohibit them from making any agreement with a customer to share benefits or bear losses, or from directly or indirectly soliciting, agreeing to accept, or accepting improper benefits in cash, in kind, or otherwise, such as may influence the objectivity of their professional judgment or discharge of duties.

5.Standards or supervisory measures shall be adopted to govern the direct or indirect acceptance by wealth managers of gifts from customers or third parties. It shall also be ensured that the adopted reward and remuneration system will not affect the objectivity and impartiality of wealth mangers when recommending certain products to customers.

6.A wealth manager may not accept a customer's unlawful transaction. When a wealth manager learns from a customer of information related to his or her trading of any target product, if there exists any likelihood of conflict of interest or undue profit, the wealth manager may not engage in trading of such target products.

7.Wealth managers shall recommend products based on customer suitability, and their salary and compensation shall, in a balanced manner, take into account commissions, growth of assets entrusted by customers for financial planning, and other factors. They may not recommend a product merely out of consideration for the amount of commission to be received, nor use some specific benefit or false advertising to induce a customer to buy or sell a specific product.

8.A securities firm shall fully disclose the fee schedule and itemized details thereof for all products and services it provides.

9.A securities firm shall fully disclose to its customers the handling fees that it actually collects for the provision of wealth management services, the commissions it obtains from recommending and selling products, and any other fees charged whatsoever.

10.Unless otherwise provided by law or regulation, none of the income set out in the preceding subparagraph may be paid to any specific related party.

11.When conducting wealth management business by means of trusts, for the protection of customer rights and interests, a securities firm shall establish appropriate workflow and control mechanisms to strengthen the management of trust assets and the establishment of the information firewall.

12.Any place of business at which a securities firm's head office or branch unit conducts wealth management business shall be clearly indicated and kept segregated from other departments.

13.A wealth manager of a securities firm's head office or branch unit, when carrying out wealth management business, shall explicitly inform clients of the department to which the wealth manager belongs, and may not engage in any conduct that may confuse clients.

18 In formulating various rules and procedures, a securities firm conducting wealth management business shall strengthen money laundering prevention measures in accordance with the Money Laundering Control Act and related provisions, and shall provide for participation by wealth managers, internal auditors, and legal compliance personnel in a money laundering prevention education and training program, to include regular training sessions focusing on how to recognize and track unusual and suspicious transactions.

19 A securities firm shall adopt internal control and internal auditing regimes in accordance with the working procedures and mechanisms. The internal audit department or legal compliance department shall regularly review the content of the various rules to ensure compliance with laws and

regulations, and intensify the auditing of the implementation of wealth management business, to control and manage the compliance of work procedures and transaction procedures with internal rules and with laws and regulations.

The internal audit department shall intensify auditing of the implementation of work procedures relating to "Know Your Customers" evaluation, suitability of customer investment amounts and scope, and anti-money laundering procedures, and review the effectiveness of the establishment of related controls and mechanisms.

When a securities firm conducts wealth management business, the person in charge of its legal compliance department shall be responsible for planning and surveillance of relevant money laundering control matters, and shall report to the board of directors at least once annually on the status of implementation of related work by the business department.

A securities firm, when applying to conduct wealth management business by means of trusts, shall appoint at least one individual dedicated to internal auditing.

The internal auditor as referred to in the preceding paragraph may concurrently hold the position of internal auditor for both wealth management business and securities businesses.

20 A securities firm shall adopt relevant risk management mechanisms in accordance with the working procedures and mechanisms, and shall analyze and monitor related risks for the products and services that it provides, and take appropriate response measures.

When implementing response measures referred to above, a securities firm shall take care to avoid prejudicing the rights and interests of customers.

21 A securities firm conducting wealth management business shall continually upgrade its management information system in response to the development and complexity of the business, so as to successfully implement the provisions set out in the procedures mentioned above, including, among other matters, filing and updating customer information in a timely manner and monitoring customer accounts for any unusual or suspicious transactions. The designing and testing of the system's functions shall involve active participation of personnel from each department, with a view to ensuring that the securities firm complies with relevant provisions in the course of business.

22 A securities firm conducting wealth management business by means of trusts shall set aside a compensation reserve fund in accordance with Article 34 of the Trust Enterprise Act and other applicable requirements.

23 When a securities firm, pursuant to Point 6, paragraph 1, subparagraph 2, item 3 herein, applies to conduct wealth management business by having a holding company that directly or indirectly holds 100 percent of the shares of the securities firm, or a financial holding company that has a controlling interest in the securities firm, issue an unconditional and irrevocable guaranty securing the liabilities of the securities firm, the only type of trust business that the securities firm may operate is non-discretionary individual management of money trusts, and the total dollar amount that the securities firm accepts to be entrusted to it by customers may not exceed NT$40 billion.

24 When a securities firm conducting wealth management business by means of trusts concurrently operates money trusts and securities trusts, the scope of the allocation of its trust assets shall be limited to the following:

1.Bank deposits.

2.Government bonds, treasury bills, or negotiable certificates of deposit and commercial paper.

3.Repo-style bond transactions.

4.Securities that are listed on a domestic exchange, OTC market, or Emerging Stock market.

5.Domestic securities investment trust funds and futures trust funds.

6.Derivative financial instruments.

7.Futures products traded on a domestic futures exchange.

8.Lending or borrowing of securities.

9.Overseas investments or investments involving the operation of foreign exchange business.

10.Other as approved by the FSC.

If the scope of allocation of trust assets involves that specified in subparagraph 6, 7, or 9 of the preceding paragraph, it shall comply with the Regulations Governing the Conclusion of Contract by Trust Enterprises and other applicable requirements.

If the scope of allocation of trust assets involves that specified in paragraph 1, subparagraph 8, it shall be limited to securities lending business that the securities firm has been approved by the FSC to conduct.

Where a securities firm conducts the type of business specified in Point 4, paragraph 1, subparagraph 3, if such business involves discretionary investment business, then the scope of the investment shall also comply with the Regulations Governing the Conduct of Discretionary Investment Business and other applicable requirements.

25 When a securities firm conducts wealth management business by means of trusts, the securities firm shall sign a wealth management contract with the customer.

The content of the contract under the preceding paragraph shall, in addition to meeting the applicable requirements of the Trust Enterprise Act, the Trust Act, and the Regulations Governing the Conclusion of Contract by Trust Enterprises, specify at least the particulars listed below:

1.Matters that are required by law or regulation to be stipulated in the contracts of any of the products.

2.The procedures for signing of the contract and the valid period of the contract.

3.Stipulations concerning the deadlines for settlement of financial instruments, methods for receipt/payment of settlement funds, and matters in connection with currencies, exchange rates and the calculation thereof, and power of attorney for exchange settlement.

4.Matters in connection with the reporting of changes in customerss' basic information and disclaimers regarding failure to report.

5.Matters regarding information and services that shall be provided by the securities firm.

6.The scope of damage arising from causes attributable to the other

contracting party, arbitration, and the handling of related matters.

7.The method for handling damage not attributable to either party to the contract.

8.The procedures for customers to apply to withdraw funds.

9.The point in time for the execution of trades. The securities firm shall execute any given trade based on the customer's instructions on that same day, provided that if an agreement with the customer stipulates otherwise, the stipulations thereof shall prevail.

10.Other necessary content in connection with the rights and obligations of the parties.

11.Dispute resolution.

Where a securities firm conducts the types of business as set out in Point 4, paragraph 1, subparagraph 3, if such business involves discretionary investment business, then the content of the contract under paragraph 1 shall also be governed by the Regulations Governing the Conduct of Discretionary Investment Business and other applicable requirements.

A model contract under paragraph 1 shall be jointly drawn up by the Securities Association and the Trust Association of ROC (hereinafter, the "Trust Association," and reported to the FSC for recordation.

26 The securities firm shall append the customer's wealth management account number after the trust assets account number to distinguish it.

A securities firm conducting wealth management business by means of trusts shall make itemized entries on a daily basis of all receipts, payments, and asset allocation status, and shall keep records of the receipts and payments and corresponding allocations.

The method of fund transfer between the securities firm and its customers and other institutions shall be limited to inter-account transfer.

27 When a securities firm conducting wealth management business by means of trusts executes asset allocation on behalf of customers under their mandate, the securities firm shall carry out tax withholding for the customer, who is the taxpayer, and issue a tax withholding statement for the fiscal year in which the income occurs in accordance with the Income Tax Act and its related regulations.

When a securities firm utilizes trust assets to execute asset allocation for a customer, it may collect a fee from the customer, with the fee rate to be stipulated between the securities firm and the customer.

The provisions of Point 26, paragraph 3 shall apply mutatis mutandis to the method of transfer when returning a customer's funds after the securities firm has withheld tax and deducted applicable fees in accordance with the preceding two paragraphs.

28 Upon obtaining any notification delivered by an issuer of financial instruments or any other material in connection with rights and interests of a customer, the securities firm shall immediately forward them to the trust settlors and beneficiaries, and shall compile a reconciliation statement each month and deliver the same to each trust settlor and beneficiary for inspection by the 10th day of the following month.

29 A securities firm conducting wealth management business by means of trusts shall transmit relevant information for each month, that is prepared in the format prescribed by the Securities Association and has been

reported to the FSC for recordation, to the Securities Association by the 10th day of the following month.

For a securities firm conducting wealth management business by means of trusts, when it reports to the Trust Association with statements related to trust accounts pursuant to Article 11 of the Regulations Governing the Concurrent Operation of Trust Business, it shall also report to the Securities Association with copies of the same statements.

30 To conduct business set out in Point 2, paragraph 1, subparagraph 1 herein, a securities firm shall submit the application, together with the following documents, to the TWSE, which shall review them and forward a report to the FSC. Approval to conduct the business is deemed to be granted if the FSC does not raise any objection within 15 days:

1.Minutes of the directors meeting that approved the plan to conduct wealth management business.

2.Business plan: to include, among other items, the management policy and working procedures set out in Point 8 of these Directions.

3.Documentary proof that the securities firm meets the qualification requirements for operating this line of business (proof that it has not been sanctioned by the FSC authority is not needed).

An ROC branch of a foreign securities firm intending to apply to conduct wealth management business shall file its application with the TWSE, which shall forward a report to the FSC, and shall furnish with the application a letter of consent from the board of directors of its head office, or a document signed by an entity or personnel authorized by the head office

31 For an application for a securities firm's branch unit to conduct business set out in Point 2, paragraph 1, subparagraph 1 herein, the securities firm shall submit the application, together with following documents, to the TWSE, which shall review them and forward a report to the FSC. Approval to conduct the business is deemed to be granted if the FSC does not raise any objection within 15 days:

1.Documentary proof that the securities firm's head office has obtained the approval from the competent authority to operate this line of business.

2.Minutes of the meeting at which the board of directors passed the resolution to apply to operate this line of business.

3.Business plan: The operational procedures and internal controls (including internal audit system) for operating this line of business.

4.Other documents as required by FSC regulations.

Where the head office and a branch unit of a securities firm simultaneously apply for approval to conduct the business under the preceding paragraph, they may consolidate the identical application documents.

32 To conduct business set out in Point 2, paragraph 1, subparagraph 2 herein, a securities firm shall submit the application, together with following documents, to the TWSE, which shall review them and forward a report to the FSC for its approval:

1.Documentary proof that the securities firm meets the qualification requirements for conducting business set out in Point 2, paragraph 1, subparagraph 1 herein (not required if the securities firm is

simultaneously applying for approval for that business).

2.Articles of incorporation or equivalent documents.

3.Documentary proof of the regulatory capital adequacy ratio.

4.The CPA-audited and attested financial report for the most recent period.

5.Documentary proof of the long-term credit rating.

6.Documentary proof that the securities firm meets the qualification requirements for operating this line of business (proof that it has not been sanctioned by the FSC is not needed).

7.Minutes of the meeting at which the board of directors passed the resolution to apply to operate this line of business.

8.Business plan: The trust business activities, types of trust business, operational procedures, accounting system, and internal control system (including internal audit system) for operating this line of business.

9.A list of personnel that operate and manage trust business, and documentary proof of their qualifications.

10.A written statement of the non-existence of the circumstances listed in Article 2 of the Regulations Governing Expertise or Experience with respect to the responsible person.

11.A template trust agreement.

12.Other documents as required by FSC regulations.

An ROC branch of a foreign securities firm intending to apply to conduct wealth management business shall file its application with the TWSE, which shall forward a report to the FSC, and shall furnish with the application a letter of consent from the board of directors of its head office, or a document signed by an entity or personnel authorized by the head office.

33 For an application for a securities firm's branch unit to conduct business set out in Point 2, paragraph 1, subparagraph 2 herein, the securities firm shall submit the application, together with following documents, to the TWSE, which shall review them and forward a report to the FSC for approval:

1.Documentary proof of that the securities firm's head office has obtained the approval from the competent authority to operate wealth management and trust businesses.

2.Minutes of the meeting at which the board of directors passed the resolution to apply to operate this line of business.

3.Business plan: The trust business activities, types of trust business, operational procedures, accounting system, and internal control system (including internal audit system) for operating this line of business.

4.A list of personnel that operate and manage trust business, and documentary proof of their qualifications.

5.A written statement of the non-existence of the circumstances listed in Article 2 of the Regulations Governing Expertise or Experience with respect to the responsible person of the branch unit.

6.Other documents as required by FSC regulations.

Where the head office and a branch unit of a securities firm simultaneously apply for the approval to conduct the business under the

preceding paragraph, they may consolidate the identical application documents.

34 For an application for a securities firm's head office or branch unit to conduct wealth management business by means of trusts, the securities firm shall apply for reissuance of the permission license within 6 months from the date the permission is granted. If the securities firm fails to apply for reissuance within the time period, the FSC may revoke the permission license. Notwithstanding the foregoing, where there is a legitimate reason, an application may be filed with the FSC before expiration of that period, for an extension of 6 months, to be granted only once.

When applying for reissuance of the permission license, the securities firm shall submit the registration particulars of its head office or branch unit, together with other documents as required by FSC regulations, to the TWSE, which shall review them and forward a report to the FSC.

A securities firm conducting wealth management business by means of trust shall, in addition to applying for reissuance of its permission license, complete the registration of its added lines of business in the FSC-designated Internet reporting system, pursuant to the requirements of the Regulations Governing the Concurrent Operation of Trust Business. Prior to the registration, the securities firm shall have both the general manager and the person in charge of legal compliance to verify that the lines of business to be registered comply with applicable laws and regulations, and shall prepare documentary proof of admission to membership in the Trust Association and that it has set aside compensation reserve fund pursuant to provisions of the Trust Enterprise Act. Concurrent operation of trust business shall be commenced only after the TWSE has reviewed the aforementioned documentation and forwarded a report to the FSC.

Where the head office or branch unit of a securities firm fails to commence operations within 3 months from its receipt of the permission license, or where it has commenced operations but subsequently suspends them of its own accord for 3 months or longer, the FSC may revoke the permission license. However, this restriction shall not apply where there is a legitimate reason, and an extension has been approved by the FSC.

35 If a securities firm or any of its associated persons violates these Directions in conducting wealth management business, the FSC may impose sanctions commensurate with the seriousness of the circumstances pursuant to Articles 56, 65, and 66 of the Securities and Exchange Act and the provisions of the Trust Enterprise Act..