

Content

Title : Directions for the Scope of and Limitations on Foreign Investments Made in the Utilization of Collective Trust Funds Offered by Trust Enterprises Ch

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2. Amended on February 27, 2013

Content : 1. These Directions are adopted pursuant to Article 22, paragraph 6 of the Regulations Governing the Management of Collective Trust Funds.

2. Offshore investments in which a collective trust fund offered by a trust enterprise may be utilized are limited to the following scope:

- (1) Foreign currency deposits.
- (2) Offshore government bonds, financial bonds and short-term bills.
- (3) Repo transactions of investment targets described in the preceding subparagraph.
- (4) Stock, corporate bonds, or convertible corporate bonds issued by a company listed on an offshore stock exchange or OTC market.
- (5) Beneficial certificates, fund shares, or investment unit securities issued or managed by an offshore fund management institution.
- (6) Gold.
- (7) Offshore futures and derivatives.
- (8) Offshore asset backed securities.
- (9) Other investment targets approved by the competent authority.

3. Offshore investments in which a collective trust fund offered by a trust enterprise is utilized may not involve stock, overseas depositary receipts, or overseas convertible bonds of an ROC company listed on any exchange. A foreign denominated collective trust fund offered by a trust enterprise shall be limited to investment in foreign denominated investment targets, and may not involve or link to New Taiwan dollar (NTD) interest rate or exchange rate index products.

4. Foreign currency deposits, stocks, bonds, short-term bills, or asset backed securities for utilization in offshore investment shall be limited to the following scope:

- (1) Foreign currency deposits, in addition to deposits in banks within the ROC or in overseas branches of ROC banks, also may be deposited in a foreign bank that is ranked within the top 500 banks worldwide in capital or assets or that has a branch within the territory of the ROC.
- (2) Stocks or bonds traded on an offshore securities exchange or OTC market.
- (3) Bonds, short-term bills, or asset backed securities that are guaranteed or issued by a national government or an institution with a rating of A or an equivalent or higher rating from Moody's Investors Service, Standard & Poor's Corporation, or Fitch.

5. A collective trust fund offered by a trust enterprise may be utilized in beneficial certificates, fund shares, or investment unit securities issued or managed by an offshore fund management institution only if the following

conditions are met:

- (1) The total net asset value under management by the fund management institution (which may include its controlling or subsidiary institutions) exceeds US\$1 billion or the equivalent in foreign currency. The calculation of the above total net asset value excludes pension funds and excludes discretionary investment accounts of individual or institutional investors.
- (2) The fund management institution has been established for a full 2 years or longer.
- (3) The individual fund must have been established for a full 2 years.
- (4) The fund management institution has not been sanctioned, with a record, by the competent authority of its home jurisdiction within the past 2 years.
- (5) The total dollar amount of the value of investment in derivatives for purposes of hedging or of increasing the efficiency of management of the asset portfolio of the fund represented by the beneficial certificates, fund shares, or investment unit securities may not exceed 15 percent of the most recent net asset value of the individual fund.
- (6) The beneficial certificates, fund shares, or investment units may not be invested in spot commodities or real estate.

6. Offshore futures and derivatives products in which a trust enterprise may utilize a collective trust fund are limited to the following scope:

- (1) The types of offshore futures and the exchanges that may be invested are limited to those publicly announced by the competent authority under Article 5 of the Futures Trading Act.
- (2) The offshore derivatives that may be invested are limited to derivatives of offshore financial products, and may not involve domestic financial products.

7. When a collective trust fund offered by a trust enterprise is utilized in offshore investment, it shall be done in compliance with Article 24 of the Regulations Governing the Management of Collective Trust Funds.

8. When an NTD denominated collective trust fund offered by a trust enterprise is utilized in offshore investment, it shall conduct a foreign exchange swap or cross currency swap of not less than 50 percent of the amount of the outward remittance.

For a foreign currency denominated collective trust fund offered by a trust enterprise the receipt and payment of relevant funds between the trust enterprise and the principal shall be done in the currency of denomination of the collective trust fund. Matters involving foreign exchange settlement against the NTD shall be handled by the principal in accordance with the applicable provisions of the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions.