

## Content

Title :	Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises <b>Ch</b>
Date :	2014.09.26
Legislative :	<ol style="list-style-type: none"><li>1. Promulgated on October, 02, 2008</li><li>2. Full text of 30 articles amended on February 4, 2010.</li><li>3. Articles 6, 10 to 12, 16, 20 to 24, 29, and 30 amended and issued, and Articles 22-1 and 23-1 added on 17 February, 2011</li><li>4. Articles 5 amended and issued on December 28, 2012</li><li>5. Appendix 3 and 4 of Articles 10 amended and issued on April 16, 2014</li><li>6. Articles 7-1 added on 26 September, 2014</li></ol>
Content :	<p>Article 1</p> <p>These Regulations are adopted pursuant to Paragraph 2, Article 18-1 of the Trust Enterprise Act.</p> <p>Article 2</p> <p>The term "foreign securities" as used in these Regulations shall mean foreign stocks, foreign bonds, foreign warrants, foreign depository receipts, foreign exchange-traded funds (ETF), offshore funds, and foreign securitized products. The provisions in these Regulations concerning foreign securities shall apply to offshore structured products issued in the form of bonds.</p> <p>The terms "professional investor, professional institutional investor, and non-professional investor" as used in these Regulations shall refer to Paragraphs 3 and 4, Article 3 of the Regulations Governing Offshore Structured Products.</p> <p>With the exception of professional institutional investors, a professional investor may apply to a trust enterprise in writing to change his or her status to non-professional investor. Non-professional investors that do not meet the criteria set forth in the preceding paragraph may not apply to change his or her status to professional investor.</p> <p>A trust enterprise is responsible for conducting reasonable investigation that a professional investor meets the qualification requirements and obtaining reasonable and credible corroborative evidence from the investor.</p> <p>Article 3</p> <p>A bank that conducts concurrently trust business and intends to apply for approval to engage in items of trust business as provided under Article 16 of the Trust Enterprise Act shall submit the following application documents to the competent authority for approval:</p> <ol style="list-style-type: none"><li>1. A business plan that contains the following particulars:<ol style="list-style-type: none"><li>(1) Legal basis for the business to be conducted and evaluation analysis of applicable laws and regulations.</li><li>(2) Description of trust business (classified according to Articles 6 to 8 of the Enforcement Rules of the Trust Enterprise Act) and risk controls.</li></ol></li></ol>

- (3) Business operational guidelines and processes.
  - (4) Important items in the agreement entered with the customer.
  - (5) Internal control and audit systems.
  - (6) Matters concerning protecting the rights and interests of customers.
  - (7) Staff allocation and assessment of facilities required.
2. Minutes of the board of directors meeting, or a letter of consent signed by an officer authorized by the head office in the case of the branch of a foreign bank in Taiwan.
  3. Financial report of the latest period audited and certified by a certified public accountant (CPA).
  4. A specimen of trust agreement.

A trust enterprise that applies for approval to engage in supplementary businesses provided under Article 17 of the Trust Enterprise Act shall submit application documents specified under Subparagraphs 1 to 3 of the preceding paragraph to the competent authority for approval.

A bank that conducts concurrently trust business may not apply to the competent authority for approval for new business items under Article 16 and Article 17 of the Trust Enterprise Act, provided the bank's ratio of equity capital to risk assets is below 8 percent or the bank incurs accumulated loss in the latest period as audited and certified by a CPA.

#### Article 4

The specific items of trust business, qualification requirements for applying to the competent authority for approval, application procedure and registration operation for a securities investment trust enterprise (SITE), securities investment consulting enterprise (SICE), or securities firm that may concurrently conduct trust business pursuant to Paragraph 2, Article 3 of the Trust Enterprise Act shall be governed by the regulations set forth pursuant to Paragraph 3, Article 3 of the Trust Enterprise Act.

#### Article 5

With exception of situations stipulated in Article 7 herein, a bank that conducts concurrently trust business and meets the following requirements may, at its own discretion, proceed to add to the scope of investment for trust assets and the types of business under Articles 6 to 8 of the Enforcement Rules of the Trust Enterprise Act for trust businesses already approved by the competent authority:

1. The bank's non-performing loan ratio is below 2 percent;
2. "Bank's regulatory capital to its risk weighted assets" shall not be less than the ratios in compliance with the Article 5 of Regulations Governing the Capital Adequacy and Capital Category of Banks and the capital adequacy ratio is the minimum requirement stated in the previous regulation plus 2 percent or higher.;
3. The bank has set aside sufficient loss reserve, loan loss provision, and guarantee reserve in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans.
4. The bank's credit rating reaches the level required for application for the offering and issuance of collective trust fund and setup of collective trust investment fund account.
5. The bank is free of the incidents in the

past 6 months of violating the Trust Enterprise Act, Banking Act, or the self-regulatory rules of the Trust Association of the R.O.C. ("Trust Association") in a serious nature and failing to take remedial actions after being disciplined by the competent authority or the Trust Association.

#### Article 6

With respect to trust business that has been approved by the competent authority, and except under the circumstances given in Article 7, a bank that concurrently conducts trust business and meets the conditions of each subparagraph of the preceding article may, at its own discretion, introduce various trust products or new types of trust products combining two or more types of trust business by submitting a business plan and a template trust agreement to the competent authority for recordation within 15 days after any such product's introduction.

Under any of the following circumstances, the competent authority may order a trust enterprise to halt its business in new types of trust products, or to temporarily halt its business in new types of trust products prior to completing supplementary or corrective action:

1. Less than the full set of required documents has been submitted, or the required information in the documents is incomplete, or no supplementation or correction of the documents has been made by the deadline in response to such a request by the competent authority.
2. There is a likelihood that market order will be affected by the products.
3. The products are likely to affect the soundness of the trust enterprise's business or finances.
4. Content in the related trust agreement is obviously unfair.

#### Article 7

If the trust business of a bank involves any of the following situations, the bank shall follow applicable regulations and in which case the preceding two articles do not apply:

1. The application for offering and issuing collective trust funds by trust enterprises shall be governed by the Regulations Governing the Management of Collective Trust Funds.
2. The application for the setup of collective investment trust fund account by trust enterprises shall be governed by the Rules Governing the Management and Employment of Collective Investment Trust Fund.
3. Products to which the Act Governing Relations Between The People Of The Taiwan Area And The Mainland Area and regulations enacted under that Act apply.
4. Trust operations that involve foreign exchange require additionally the consent of the Central Bank of the ROC ("Central Bank").
5. When a trust enterprise has full discretion over the use of trust assets and invest the trust assets in securities provided under Article 6 of the Securities and Exchange Act or futures products provided under Article 3 of the Futures Trading Act, the trust enterprise shall follow the provisions in the latter section of Paragraph 1, Article 18 of the Trust Enterprise Act.

#### Article 7-1

When an offshore securities branch established pursuant to Article 22-3 of the Offshore Banking Act engages in business for which its head office has received approval from the competent authority and conducts asset allocation business on behalf of a customer through a trust, if the customer is an offshore natural person, juristic person, government agency, or financial institution, then these Regulations do not apply to the following matters:

- (1) The types and scope of the trust assets managed, utilized, and disposed.
- (2) The required qualifications for professional investors.
- (3) Requirements that products be submitted to the Trust Association or the competent authority for review, approval, recordation, or effective registration.
- (4) The conduct of recommendations, advertising, business solicitations, and business promotional activities.

#### Article 8

If the business items applied by a bank that conducts concurrently trust business have been approved by the competent authority, the bank shall complete the following registration formalities before commencing the business operations:

1. A bank shall complete the registration of new business items via the online filing system of the competent authority within 6 months from the date its applied business items have been approved by the competent authority. For domestic banks that are eligible for reward measures for accelerated reduction of non-performing loans, such banks shall carry out the registration formalities after the automatic approval [of new business items] takes effect as notified by the competent authority.
2. A bank that applies for its branch to conduct concurrent trust business pursuant to the Regulations Governing Concurrent Trust Business of Bank Branches shall, after obtaining the approval of the competent authority, register the new business of "handling the trust business of the head office's trust department as approved by the competent authority" via the online filing system of the competent authority.
3. A bank that conducts concurrently securities investment trust business or securities investment consulting business shall, within 6 months from the date of approval by the competent authority, register via the online filing system of competent authority after preparing the required documentation under the Standards Governing the Establishment of Securities Investment Trust Enterprises or the Standards Governing the Establishment of Securities Investment Consulting Enterprises, and ensuring compliance with the requirement that "net worth per share according to the latest CPA-audited financial report is not below the face value." Where the bank fails to make registration within the aforementioned time period, the competent authority may revoke the permit for such business. However, the time limit may be extended once, provided the bank has justified reasons and submits an application for extension prior to the expiration of the time limit, and that such extension may not exceed 3 months.

4. The bank shall have its president (general manager) and chief compliance officer double check before making such registration to make sure the registered items conform to regulatory requirements and complete the registration with the competent authority before it may start the business.
5. Aside from ensuring the accuracy of the filed information, the bank should safekeep under a separate file the original (duplicate) approval letter from the competent authority approving the new business item and related required documentation to facilitate inspection by examiners in the future.

#### Article 9

Unless it is otherwise provided in Article 28 or 29 of the Trust Enterprise Act, Financial Asset Securitization Act, Real Estate Securitization Act, Securities Investment Trust and Consulting Act, Futures Trading Act, Regulations Governing Offshore Structured Products, Regulations Governing Offshore Funds, Regulations Governing Securities Investment Trust Funds, Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises, Regulations Governing Futures Trust Funds, or other regulations, a trust enterprise shall follow the provisions in Articles 10 to 15 herein when it utilizes trust assets to make foreign investment or make investment that involves foreign exchange.

The inward and outward remittance of funds for the investment mentioned in the preceding paragraph shall be carried out in accordance with applicable rules of the Central Bank.

#### Article 10

- Investments made by a trust enterprise in which trust assets are used for foreign investments or investments involving foreign exchange, for a trustor who is a professional investor, shall be limited to the following:
1. Foreign currency deposits in a domestic bank or a foreign bank ranked in the top 1,000 globally in bank capital or assets, or a domestic branch of such a bank, provided that the bank's credit rating is at or above the specified rating from a credit rating agency listed in Appendix 1.
  2. Stocks, warrants, depository receipts, and exchange-traded funds (ETFs) traded on foreign securities exchanges designated by the competent authority in accordance with the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities.
  3. Securities investment trust funds or futures trust funds denominated in foreign currency and offered or privately placed in accordance with the Regulations Governing Securities Investment Trust Funds or the Regulations Governing Futures Trust Funds.
  4. Privately placed offshore funds and offshore funds that, in accordance with the Regulations Governing Offshore Funds, are approved by or effectively registered with the competent authority and offered and sold domestically.
  5. Foreign currency denominated short-term bills of an obligor (issuer, guarantor, or acceptor) whose short-term debt credit rating is at or above the specified rating from a credit rating agency listed in Appendix 2.
  6. Foreign currency denominated bonds issued in accordance with the

Regulations Governing the Offering and Issuance of Securities by Foreign Securities Issuers that are already traded on the secondary market.

7. Foreign bonds meeting the following credit rating criteria:

(1) Foreign central government bonds: Bonds of an issuing country whose sovereign credit rating is at or above the specified rating from a credit rating agency listed in Appendix 3.

(2) Foreign bonds other than those of the preceding item (including convertible corporate bonds and corporate bonds with warrants): Bonds for which the long-term debt credit rating of the issuer or guarantor, or the bond's debt issue rating, is at or above the specified rating from a credit rating agency listed in Appendix 4.

8. Foreign securitized products with a debt issue rating at or above the specified rating from a credit rating agency listed in Appendix 4.

9. Repo-style transactions in the instruments of the preceding four subparagraphs: When the instrument of subparagraph 5 is the subject of the transaction, the short-term debt credit rating of the trading counterparty must be at or above the specified rating from a credit rating agency listed in Appendix 2; when an instrument under any of the preceding three subparagraphs is the subject of the transaction, the long-term debt credit rating of the trading counterparty must be at or above the specified rating from a credit rating agency listed in Appendix 4.

10. Offshore structured products in which investment of trust assets may be made domestically in accordance with the Regulations Governing Offshore Structured Products.

11. The derivative financial products transactions of Article 16.

12. Gold.

13. Other subjects of investment approved by the competent authority.

#### Article 11

Investments made by a trust enterprise in which trust assets are used for foreign investments or investments involving foreign exchange, for a trustor who is a non-professional investor, shall be limited to the following:

1. Foreign currency deposits in a domestic bank or a foreign bank ranked in the top 500 globally in bank capital or assets, or a domestic branch of such a bank, provided that the bank's credit rating is at or above the specified rating from a credit rating agency listed in Appendix 1.

2. Stocks, warrants, and depository receipts, and exchange-traded funds (ETFs) which are invested principally in stocks and bonds and have neither a leveraging nor a shorting effect, that are traded on foreign securities exchanges designated by the competent authority in accordance with the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities.

3. Securities investment trust funds or futures trust funds denominated in foreign currency and offered in accordance with the Regulations Governing Securities Investment Trust Funds or the Regulations Governing Futures Trust Funds.

4. Offshore funds that, in accordance with the Regulations Governing Offshore Funds, are approved by or effectively registered with the competent authority and offered and sold domestically.

5. Foreign currency denominated short-term bills of an obligor (issuer, guarantor, or acceptor) whose short-term credit rating is at or above the specified rating from a credit rating agency listed in Appendix 5.
6. Foreign currency denominated bonds issued in accordance with the Regulations Governing the Offering and Issuance of Securities by Foreign Securities Issuers that are already traded in the secondary market.
7. Foreign bonds meeting the following credit rating criteria:
  - (1) Foreign central government bonds: Bonds of an issuing country whose sovereign credit rating is at or above the specified rating from a credit rating agency listed in Appendix 6.
  - (2) Foreign bonds other than those of the preceding item (including convertible corporate bonds and corporate bonds with warrants): Bonds for which the long-term debt credit rating of the issuer or guarantor, and the bond's debt issue rating, must be at or above the specified rating from a credit rating agency listed in Appendix 7.
8. Foreign securitized products, not including re-securitized or synthetic securitized products, with a debt issue rating at or above the specified rating from a credit rating agency listed in Appendix 7.
9. Repo-style transactions in the instruments of the preceding four subparagraphs: When the instrument of subparagraph 5 is the subject of the transaction, the short-term debt credit rating of the trading counterparty must be at or above the specified rating from a credit rating agency listed in Appendix 5; when an instrument under any of the preceding three subparagraphs is the subject of the transaction, the long-term debt credit rating of the trading counterparty must be at or above the specified rating from a credit rating agency listed in Appendix 7.
10. Offshore structured products that meet the requirements of the Regulations Governing Offshore Structured Products for investment by non-professional investors.
11. Gold.
12. Other subjects of investment approved by the competent authority.

#### Article 12

When a trust enterprise uses trust assets for foreign investments or investments involving foreign exchange, the investments shall conform with the following:

1. The investment may not be denominated in New Taiwan Dollars.
2. The scope of, and restrictions on, investments involving securities of the mainland, Hong Kong and Macao areas shall be determined by mutatis mutandis application of the relevant provisions of the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities.
3. Investment in the securities of a domestic enterprise issued in a foreign country shall be restricted to securities issued in accordance with the Regulations Governing the Offering and Issuance of Overseas Securities by Issuers and already traded on the secondary market.

#### Article 13

Investments that meet one of the criteria below are not subject to the preceding three articles:

1. The trustor is a professional institutional investor and the trust

enterprise makes trust investment within the scope allowed the trustor according to law and regulation.

2. The investments were made under trust investment according to law prior to the promulgation and implementation of these Regulations and are continued to be held at the originally agreed price before the contract expires.

#### Article 14

When a trust enterprise utilizes trust assets to make foreign investment or make investment that involves foreign exchange, the trust enterprise may, for hedging purpose, engage in the following transactions as a customer and in the name of trustee with a bank:

1. Currency option transaction on NTD and a foreign currency.
2. Currency swap transaction on NTD and a foreign currency.
3. Cross currency transaction on NTD and a foreign currency.

The expression "for hedging purpose" in the preceding paragraph means to transfer the risk associated with a balance sheet asset, off-balance-sheet asset or committed transaction.

#### Article 15

A trust enterprise may, based on the agreement made in the trust agreement, mandate a foreign professional custodian bank to lend out the foreign securities in the trust assets of a professional investor according to the following guidelines:

1. The trust enterprise should know fully and assess the extent of trustor's knowledge and experience in lending out securities.
2. The trust agreement should contain a clause to the effect that "The trustor agrees that the trustee may mandate a foreign professional custodian bank to lend out foreign securities in the trust assets", and should disclose information on risks and fees associated with mandating a foreign professional custodian bank to lend out the foreign securities in the trust assets, including the default risk or credit risk associated with the borrower and the foreign professional custodian bank, and the market price volatility risk and liquidity risk of the collateral furnished by the borrower, and fees arising from the lend-out and how the fees are paid.
3. The term "foreign professional custodian bank" in the preceding paragraph shall meet all of the criteria specified below:
  - (1) Having been established for at least 3 years;
  - (2) Ranking in the top 500 in the world by asset or net worth in the past year and the assets under custody are valued more than US\$500 billion.
  - (3) Long-term credit rating is at or above a certain level given by a credit rating agency provided in Appendix 7.

A trust enterprise shall establish internal operating guidelines for mandating foreign professional custodian banks to lend out foreign securities in the trust assets and submit the guidelines and any revision thereafter to its board of directors for approval.

The internal operating guidelines of a trust enterprise for mandating foreign professional custodian banks to lend out foreign securities in the trust assets shall contain at least the following:

1. Where the trustee does not have discretion over the use of trust assets

according to the trust agreement, the objects of investment, method, amount, terms and conditions, and duration of the investment will be handled according to the specific instructions of the trustor; where the trustee has discretion over the use of trust assets according to the trust agreement, there should be proper internal decision-making process for the management and utilization of the trust assets.

2. Personnel with professional knowledge and experience should be assigned to take charge of the lending business.

3. When signing a securities lending agreement with a foreign professional custodian bank, the clauses of the agreement should heed the prevention of contract risk, counterparty risk, operational risk and collateral risk.

4. When signing a securities lending agreement with a foreign professional custodian bank, the clauses of the agreement should cover at least the mechanism to monitor the performance of duties by the foreign professional custodian bank, including the types of assets for reinvestment, specific investment guidelines, requirements for and range of borrowers, types of collateral, collateral maintenance ratio, collateral call process, fee schedule, agreed court of jurisdiction, and items to be periodically reported by the foreign professional custodian bank, as well as the obligations of the foreign professional custodian bank in case of default by the counterparty, and periodic follow-up of performance.

5. The objects of reinvestment under the preceding subparagraph must have a maturity date of less than 2 years and comply with these Regulations and restrictions set forth in applicable laws and regulations.

6. The collateral maintenance ratio shall not be less than 100%.

7. The types of non-cash collateral must comply with these Regulations and restrictions set forth in applicable laws and regulations.

8. Where foreign bonds guaranteed or issued by a sovereign or an institution serve as the non-cash collateral mentioned in the preceding subparagraph, the issue rating of such foreign bonds must be at or above a certain level given by a credit rating agency provided in Appendix 6 or Appendix 7.

9. Internal control systems.

10. Internal audit systems.

#### Article 16

Except where otherwise provided by law or regulation, the types, limits, administration, and other matters for compliance with respect to a trust enterprise's use of trust assets for trades in derivative financial products and structured products shall be drafted by the Trust Association and submitted to and approved by the competent authority.

#### Article 17

In the conduct of trust business, except for public offering and issuance of beneficial securities in accordance with Article 29 of the Trust Enterprise Act, Financial Asset Securitization Act, or Real Estate Securitization Act, or as otherwise provided by law or regulations, a trust enterprise shall not engage in any public offering activity.

#### Article 18

In the conduct of trust business, except in the trust agreement, trading report or reconciliation statement where beneficiary rights are indicated, a trust enterprise shall not produce and deliver any certificate of entitlement to beneficiary rights, beneficial securities, beneficiary certificates or other documents for evidencing beneficiary rights to the beneficiaries that causes the beneficiaries to misconstrue that such document represents a marketable security. However, the preceding provision does not apply to the issuance of beneficial securities by a trust enterprise pursuant to Article 29 of the Trust Enterprise Act, Financial Asset Securitization Act, or Real Estate Securitization Act.

#### Article 19

In the conduct of trust business, a trust enterprise shall, in addition to specifying in the trust agreement that transfer of beneficiary rights is not allowed, specify in the trust agreement that the transfer of beneficiary rights must meet the following requirements, unless the transfer is due to inheritance, voluntary transfer by the beneficiary, the result of an auction conducted according to law, or each beneficiary transferring all of his beneficiary rights to only one transferee. However, the preceding provision does not apply to the transfer of beneficiary rights pursuant to Article 29 of the Trust Enterprise Act, Financial Asset Securitization Act, or Real Estate Securitization Act, or as otherwise provided by law or regulations:

1. The transferee of beneficiary rights must be a professional investor;
2. The unit amount represented by the beneficiary rights held by each beneficiary after the transferor beneficiary has splits the rights shall not be less than NT\$10,000,000, and the total number of beneficiaries shall not be more than 35;
3. The beneficiary shall provide the trust enterprise with personal information of the transferee(s), the units of beneficiary rights to be transferred, and a transfer agreement, and obtain the consent of the trust enterprise before making the transfer of beneficiary rights.

#### Article 20

Unless otherwise provided by law or regulation, a trust enterprise shall comply with the following provisions when engaging in advertising, business solicitations, or business promotional activities with respect to its corporate image or the trust business it conducts:

1. A trust enterprise may not advertise, solicit, or promote business for beneficial securities when the securities offering has neither been approved by nor effectively registered with the competent authority.
2. A trust enterprise may not solicit business by offering gifts or other benefits, except within the scope of limits set by the competent authority.
3. A trust enterprise may not use customer deposit information to conduct inducements or to recommend investment products that do not match the customer's risk profile.
4. A trust enterprise may not induce customers to obtain funds through financing and to transfer such funds for use as trust assets.
5. A trust enterprise may not engage in publicity that exaggerates its past results or past performance, and may not engage in conduct that involves

falsehood, fraud, nondisclosure, or otherwise creates mistaken confidence.

6. A trust enterprise may not engage in other activities that adversely affect the rights and interests of beneficiaries.

Except when otherwise provided by law or regulation, prior to any use outside the trust enterprise of advertisements or promotional literature when engaging in the activities of the preceding paragraph, they shall be submitted to the enterprise's chief compliance officer for review to ensure they contain no inappropriate content, misrepresentations, or matters that would be misleading to consumers or in violation of relevant laws and regulations. The advertising and literature shall comply with the following:

1. The advertising or literature may not use the competent authority's approval of trust business or the trust enterprise's membership in the Trust Association as a guarantee of the value of beneficial interests.
2. The advertising or literature may not cause others to mistakenly believe that either security of the principal or profitability can be guaranteed.
3. The name of a specific investment instrument shall appropriately indicate its characteristics and associated risks. Names that could be misleading to customers may not be used.
4. The advertising or literature shall present profitability and risk in a balanced manner, and may not use any text or design that does not agree with the content of the application documents submitted to the competent authority.
5. The advertising or literature may not violate law or regulation or the content of the trust agreement.

The content, administration, and other matters for compliance with respect to the advertising, business solicitations, or business promotional activities that a trust enterprise engages in shall be drafted by the Trust Association and submitted to and approved by the competent authority.

#### Article 21

A trust enterprise shall comply with the following provisions when conducting business in either trusts of money or trusts of securities in which it has no discretion over the use of trust assets (respectively, "non-discretionary money trusts" and "non-discretionary securities trusts") with the goal of investment through the trust in foreign securities, but when the Regulations Governing Offshore Funds or the Regulations Governing Offshore Structured Products provide otherwise, their provisions shall apply:

1. The product prospectus and related information provided by the trust enterprise may only be placed at specified business counters.
2. The trust enterprise may not engage in advertising, business solicitation, or business promotion activities toward the general public with respect to specific investment subjects.
3. The trust enterprise, by means of discussion in person, telephone or e-mail communication, or mailing of prospectuses, may recommend specific investment subjects to customers who have already signed a trust agreement, provided that this does not include non-professional investors who have made less than five investment transactions through a trust during the preceding 1 year period, or who are 70 years of age or above, or whose

educational level is junior high school graduate or lower, or who have a National Health Insurance Major Illness or Injury Certificate.

4. If the place where the issuer of a specific investment subject is registered or the place where the issued product is listed places restrictions limiting investment in the product to professional investors or if the investment subject is a private placement, the trust enterprise may only accept orders for investment in the product from professional investors, provided that this restriction does not apply when a trustor meets the qualifying requirements of an investor in the specific investment subject.

If a customer under subparagraph 3 of the preceding paragraph is a non-professional investor, the trust enterprise shall comply with the following:

1. The trust enterprise must obtain a letter of consent from the trustor prior to making any recommendation, and the letter of consent may not be incorporated as part of any other agreement document. The trustor may at any time terminate the conduct of recommendation by means of written instructions, which shall take effect upon their receipt by the trust enterprise.

2. A specific investment subject recommended by the trust enterprise shall be one that is already traded on a foreign securities exchange designated by the competent authority, in accordance with the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities.

## Article 22

When a trust enterprise conducts non-discretionary money trust or non-discretionary securities trust business with the goal of investment through the trust in foreign or domestic securities, short-term bills, or onshore structured products, then except with respect to its function as fund custodian for the securities investment trust fund or futures trust fund, the enterprise shall establish "know your customer" procedures which shall include at least the following items:

1. The processing of matters required to be completed by customers: The trust enterprise shall define the minimum dollar amount and relevant conditions relating to assets to be delivered into trust by customers, and the various circumstances under which a customer may be refused.

2. Matters required in "know your customer" reviews:

(1) The trust enterprise shall establish "know your customer" review procedures and basic customer information that shall be retained on file, including items such as customer identity, financial background, income, source of funding, risk preferences, previous investing experience, and the customer's purpose and need for the trust. The content of the information so retained and the results of analysis shall be signed by the customer in confirmation.

(2) The signing of a trust agreement by a customer shall be accepted only after the appropriate department or person performs a secondary review of the signing process and the authenticity and completeness of the submitted documentation.

3. Matters required in assessments of customer investment capacity: In addition to the information of the preceding subparagraph, when assessing a

customer's investment capacity and accepting the customer's trust request, the trust enterprise shall give overall consideration to the following information:

- (1) The customer's cash management status and professional ability.
- (2) The customer's investment attributes, understanding of risks, and degree of risk tolerance.

If the customer of the preceding paragraph is a non-professional investor, the trust enterprise shall comply with the following:

1. The trust enterprise shall establish a product suitability policy in accordance with the self-regulatory rules of the Trust Association adopted pursuant to paragraph 5 to ensure that the trustor is capable of assuming the risks associated with the subject investment.
2. The trust enterprise shall use easily understandable language to inform the trustor that any trade in the subject investment is undertaken by the trust enterprise in accordance with the trustor's instructions for utilization, and that the trust enterprise undertakes any such trade in the subject investment with the trading counterparty on behalf of the trustor in the capacity of trustee.

The product suitability policy of subparagraph 1 of the preceding paragraph shall at a minimum include the categories of risk tolerance levels for non-professional investors and risk levels for individual products, in order that the trust enterprise may use the non-professional investor's risk tolerance level as a basis for recommending or investing through trust in products appropriate to that risk tolerance level. The trust enterprise shall also establish mechanisms for advance and follow-up monitoring to avoid inappropriate recommendations or trust investment operations.

In the case of investment requested by a trustor in an investment subject recommended by the trust enterprise, the trust enterprise shall be liable for damages if its recommendation is found to have involved misrepresentation or non-disclosure or was not made in accordance with the provisions of paragraph 2, subparagraph 1.

The content of the product suitability policy under paragraph 2, subparagraph 1, the relevant operating procedures, and other matters for compliance will be adopted by the Trust Association and submitted to and approved by the competent authority.

The provisions of paragraphs 1 through 5 apply *mutatis mutandis* to a trust enterprise that operates a money trust or securities trust for purposes of financial planning or asset-liability allocation in which it has discretion over the use of trust assets.

#### Article 22-1

A trust enterprise that conducts non-discretionary money trust or non-discretionary securities trust business and accepts a non-professional investor's instruction to invest in onshore structured products shall comply with the following:

1. The trust enterprise shall read aloud to the non-professional investor the important content of the notice to customers regarding structured products and retain a record in the form of an audio recording.
2. When a non-professional investor that is a juristic person places an instruction with the trust enterprise for investment in a specific onshore

structured product and subsequently places further instructions for investment transactions in structured products of the same type, it may request the trust enterprise to exempt it from the procedures of the preceding subparagraph by the signing of a written consent form in each subsequent case.

The term "onshore structured product" in the preceding paragraph means a compound product, transacted through a domestic financial institution, that combines a fixed-income product with a financial derivative.

The term "structured products of the same type" in paragraph 1, subparagraph 2 means a product which has all of the same features of structuring, denominating currency, and linked assets.

#### Article 23

A trust enterprise that conducts non-discretionary money trust or non-discretionary securities trust business and invests trust assets in foreign or domestic securities, short-term bills, or onshore structured products shall comply with the following:

1. The trust enterprise may not first use its own funding to purchase the given foreign or domestic securities, short-term bills, or onshore structured products and then sell them to a trustor through the non-discretionary money trust or non-discretionary securities trust.
2. The trust enterprise may not make any stipulations about early redemption or sale dates of investment subjects that differ from those given in the terms and conditions of issuance. The trust enterprise, however, shall fully disclose in the trust agreement and provide notification to the trustor of any adverse consequences of early redemption or sale, and may provide the trustor with recommendations on which the trustor may decide regarding means of reducing any such adverse consequences.

#### Article 23-1

A trust enterprise shall establish a product review group to conduct pre-sale reviews of financial products in which trust assets may be invested. The reviews shall include at least the following items:

1. The product's legality.
2. The costs and fees associated with the product and their reasonableness.
3. The product's investment strategy and risk-return relationship and their reasonableness.
4. The accuracy of content and completeness of disclosure in the product's prospectus.
5. An assessment of the legality of the trust enterprise's investment in the product through a trust and related conflicts of interest.
6. The past performance, reputation, and financial and operational soundness of the product's issuer or guarantor.

#### Article 24

A trust enterprise that conducts non-discretionary money trust or non-discretionary securities trust business shall expressly state the respective fee rates for the remuneration, fees, discounts, or other benefits received from trading counterparties.

The trust enterprise shall inform the trustor of the actual fee rates received for the benefits under the preceding paragraph and their annualized rates. With respect to products which are the subject of investment of trust assets on behalf of a non-professional investor, the annualized fee rates for the benefits of the preceding paragraph may not exceed one-half of one percent of the total dollar amount of the assets entrusted for investment in the product; for periods of less than 1 year, the annualized rate shall be calculated on a pro-rata basis to the actual period of investment. If, however, the Regulations Governing Securities Investment Trust Funds, Regulations Governing the Offering of Securities Investment Trust Funds by Securities Investment Trust Enterprises, Regulations Governing Offshore Funds, Regulations Governing Futures Trust Funds, or Regulations Governing Offshore Structured Products provide otherwise, those provisions shall apply.

A trust enterprise that conducts money trust or securities trust business in which it has discretion over use of the trust assets shall treat any discount on the service fees or handling fees received from trading counterparties as a reduction in the trustor's transaction cost.

#### Article 25

The remuneration system of a trust enterprise should give equitable consideration to the risk exposures of the trustors, charge of fees and other factors, and shall not be based mainly on the amount of trust investment.

The guidelines and method of review with regard to the remuneration system of trust enterprises shall be drawn up by the Trust Association and reported to the competent authority for reference.

#### Article 26

In the conduct of trust business, a trust enterprise shall enter a trust agreement with the trustor and sign other contracts or documents as required by law or regulations, and give the original agreement or a copy of the agreement noting thereon that it is identical to the original to the trustor. Where the agreement was not given to the trustor at the time of signing, the trust enterprise should deliver it the trustor by mail or in another agreed manner after signing. Before entering a trust agreement, the trust enterprise shall fulfill its obligation to inform as provided in Article 27 herein and give the trustor a reasonable period of time to read and review it.

For a trustor that provides products or services and declares the money paid by his customers to trust under his own name, and names himself the beneficiary, the trust enterprise shall agree on the following matters with the trustor in the trust agreement:

1. When the trustor undertakes marketing activities, places advertisements, solicits business or signs contract with clients, the trustor shall inform the targets of marketing, advertisement or business solicitation, or his customers explicitly that the beneficiary of the trust is the trustor, not the trustor's clients, and the trustor shall not mislead the prospective customers or clients into thinking that the trust enterprise is managing the trust assets on behalf of the clients. Where the trustor enters a

contract with his customers, the same shall be stated in the contract.  
2. The trustor or the trust enterprise shall provide a copy of the contract clauses provided in the preceding subparagraph upon the request of the trustor's customers.

#### Article 27

In the conduct of trust business, a trust enterprise shall fully disclose to and inform the trustor explicitly trustee's fees, expenses, and method of collection, and possible associated risks, including possible maximum loss. Unless it is otherwise provided by law or regulations, the information to be disclosed and other matters to be complied with shall follow the self-regulatory rules drawn up by the Trust Association.

#### Article 28

Except for transactions taken place in the centralized trading market, when a trust enterprise uses the trust asset to trade with others, the trust enterprise shall inform the counterparty explicitly that it is conducting a trade in the capacity of a trustee for assets under its trust and shall not give others the erroneous impression that the trust enterprise is trading its own assets.

#### Article 29

Except where otherwise required by law or regulation, a trust enterprise, after using trust assets to make a trade, shall deliver a trading report to the trustor and beneficiary, and shall on a regular basis prepare and deliver reconciliation statements to the trustor and beneficiary.

A trust enterprise that uses trust assets to enter into one of the transactions set out in Article 25, paragraph 1 or Article 27, paragraph 1 of the Trust Enterprise Act, in which itself or an interested party is the trading counterparty, shall expressly state that fact in the trading reports and reconciliation statements.

The items to be included in the trading reports and reconciliation statements of paragraph 1, the method and time of their delivery, the period for which they are retained, and other matters for compliance will be determined by the Trust Association.

#### Article 30

These Regulations shall take force from the date of issuance, with the exception of Article 24, paragraphs 1 and 2, which shall take force 3 months after the date of issuance.

Amendments to these Regulations shall take force from the date of issuance.