

## Content

Title :	Regulations Governing Securities Investment Trust Enterprises <b>Ch</b>
Date :	2020.12.17
Legislative :	<p>1. Full text of 39 articles adopted and issued per 30 October 2004 Order Financial-Supervisory-Securities-(IV)-No. 0930005202 of the Financial Supervisory Commission, Executive Yuan, for implementation from date of promulgation</p> <p>2. Articles 17, 20, 22, 30, 32, and 38 amended and issued; Article 29-1 added; Articles 7, 31, 33, and 34 deleted per 20 January 2006 Order No. Financial-Supervisory-Securities-(IV)-0950000359 of the Financial Supervisory Commission, Executive Yuan</p> <p>3. Articles 5, 17, 19, 22, 25, 29, and 29-1 amended and issued, Article 22-1 added, and Article 27 deleted per 24 November 2006 Order No. Financial-Supervisory-Securities-IV-0950005239 of the Financial Supervisory Commission, Executive Yuan</p> <p>4. Articles 4, 20, 21, 23, 38 amended and issued and Article 18 deleted 17 March 2008 per Order No. Financial-Supervisory-Securities-IV-09700081761 of the Financial Supervisory Commission, Executive Yuan</p> <p>5. Title of Chapter 4 and Article 25 amended and issued and Article 24-1 added per 4 August 2008 Order No. Financial-Supervisory-Securities-II-0970039639 of the Financial Supervisory Commission, Executive Yuan</p> <p>6. Article 13 amended and issued per 31 December 2009 Order No. Financial-Supervisory-Securities-SITC-0980070099 of the Financial Supervisory Commission, Executive Yuan</p> <p>7. Article 25 amended and issued per 16 March 2010 Order No. Financial-Supervisory-Securities-Firms-09900119992 of the Financial Supervisory Commission, Executive Yuan</p> <p>8. Articles 2 and 13 amended and issued per 27 July 2012 Order No. Financial-Supervisory-Securities-SITC-1010033473 of the Financial Supervisory Commission</p> <p>9. Articles 3, 24-1, and 25 amended and issued per 28 November 2014 Order No. Financial-Supervisory-Securities-SITC-1030048271 of the Financial Supervisory Commission</p> <p>10. Articles 12, 13, 24-1, 26, and 28 amended and Articles 5-1, 12-1, 17-1, and 26-1 added per 17 December 2020 Order No. Financial-Supervisory-Securities-SITC-1090365710 of the Financial Supervisory Commission</p>
Content :	<p>Chapter 1 General Principles</p> <p>Article 1 These Regulations are adopted pursuant to Article 20, Article 70, Article 72, Article 81 paragraph 2, and Article 95 of the Securities Investment Trust and Consulting Act (below, the "Trust and Consulting Act").</p> <p>Article 2 A securities investment trust enterprise (SITE) shall establish an internal control system pursuant to Article 93 of the Trust and Consulting Act. A SITE's business operations shall be governed by law and regulation, the enterprise's articles of incorporation, and the internal control system referred to in the preceding paragraph. The internal control system referred to in paragraph 1 shall be submitted for approval by the SITE's board of directors prior to its adoption or any subsequent amendment, and shall be retained on file for reference. When the Financial Supervisory Commission ("the FSC") gives notice requiring amendment of the internal control system, such amendment shall be made within the period of time prescribed.</p> <p>Article 3</p>

A SITE shall report to the FSC for prior approval when any of the following circumstances occur:

1. A change in the company name;
2. Suspension or resumption of business;
3. Dissolution or merger;
4. Assignment of all or a major portion of operations or assets;
5. Acquisition of all or a major portion of another's operations or assets;
6. A change in the amount of capitalization;
7. A change in the place of business of the enterprise or a branch unit;
8. Other matters requiring approval pursuant to FSC regulations.

#### Article 4

In addition to complying with relevant laws and regulations, a SITE shall report any of the following matters by letter to the Securities Investment Trust and Consulting Association of the R.O.C. ("the SITCA") within 5 business days of their occurrence, which shall in turn notify the FSC:

1. A change of director, supervisor, or manager;
2. The occurrence of litigation, non-litigation, or mediation by the SITCA, arising out of business operations or the performance of duties by an associated person;
3. A change in the shareholdings of a director, supervisor, or any shareholder holding five percent or more of the total outstanding shares of the enterprise;
4. Other matters to be reported pursuant to FSC regulations.

Subparagraphs 1, 3, and 4 of the preceding paragraph do not apply to an enterprise in another line of business that concurrently operates SITE business.

#### Article 5

A SITE shall report to the FSC any matter having a material influence on the rights and interests of beneficiaries within 2 days from the date of its occurrence, with a copy of the report to the SITCA.

"Matters having a material influence on the rights and interests of beneficiaries" refers to the following:

1. Return of a check for insufficient funds, refusal of a transaction, or any other loss of creditworthiness;
2. Any instance of a material adverse effect on the finances or operations of the company due to litigation, non-litigation, administrative disposition, or administrative litigation;
3. Application to a court for reorganization;
4. A change in the chairperson, general manager or one third or more of the directors;
5. A change in the certifying CPA of the enterprise or a securities investment trust fund it manages, provided that this shall not apply when the change resulted from an internal change at the accounting firm;
6. Any of the circumstances of Article 3, subparagraphs 2 through 5;
7. Any purchase of real estate from a company that is an affiliated enterprise as defined in Chapter 6-1 of the Company Act; from a director, supervisor, or manager of that company; from a shareholder holding five percent or more of the total outstanding shares of the company; or from a related party of such a shareholder;
8. Suspension or resumption of calculation of the redemption price for a securities investment trust fund publicly offered by the SITE;
9. Transfer of a securities investment trust fund managed by the SITE for succession by another SITE;
10. The merger of a securities investment trust fund publicly offered by the SITE;
11. Termination of the fund contract of a securities investment trust fund publicly offered by the SITE.

The term "related party" in subparagraph 7 of the preceding paragraph refers to any of the following:

1. In the case of a natural person, the person's spouse, a blood relative within the second degree of kinship, or any enterprise of which the person or the person's spouse is responsible person;
2. In the case of a juristic person, a juristic person controlled from the same source or with which the juristic person has a relationship of mutual

control.

#### Article 5-1

A SITE shall operate its business in a fair and reasonable manner. Factors including operating costs, transaction risks, reasonable profits, and the degree of impact on the market or company finances shall be taken into consideration in determining the fees to be collected or spent. It is prohibited for a SITE to use unreasonable fees to solicit or engage in business.

#### Article 6

No SITE director or supervisor, nor any shareholder holding five percent or more of the SITE's total outstanding shares, may concurrently hold five percent or more of the outstanding shares of another SITE.

No entity that is an affiliated enterprise (as defined in Chapter 6-1 of the Company Act) of a director, supervisor, or SITE shareholder holding five percent or more of the SITE's total outstanding shares may act as a director, supervisor, or shareholder holding five percent or more of the total outstanding shares of another SITE.

Where merger results in non-compliance with the preceding two paragraphs, compliance shall be effected within 1 year from the date of merger.

Shares held by the shareholder's spouse or minor children or held under others' names shall be included in calculation of the shareholdings of five percent or more of outstanding shares under paragraphs 1 and 2 above.

#### Article 7

(Deleted)

#### Article 8

A SITE shall have one or more shareholders possessing the qualifications set forth under Article 8 of the Standards Governing the Establishment of Securities Investment Trust Enterprises whose total shareholdings, excluding shareholdings from distributions of new shares for employee bonuses or from issuance of new shares reserved for subscription by employees or other qualified persons, may not be less than 20 percent of the total outstanding shares of the SITE.

A SITE shall report to the FSC for recordation prior to any transfer of shares by the shareholders described in the preceding paragraph.

#### Article 9

Except for shareholders in conformance with the qualifications in Article 8 of the Standards Governing the Establishment of Securities Investment Trust Enterprises or the circumstances in Article 9, paragraph 2 of the same Standards, the total shares held by a SITE shareholder, related parties of the shareholder, and any other person under whose name the shareholder holds shares may not exceed 25 percent of the total outstanding shares of the SITE.

The term "related party" in the preceding paragraph refers to any one of the following:

1. In the case of a natural person, the person's spouse, a blood relative within the second degree of kinship, or any enterprise of which the person or the person's spouse is responsible person;
2. In the case of a juristic person, a juristic person controlled from the same source or with which the juristic person has a relationship of mutual control.

#### Article 10

A SITE may not act as director or supervisor of a company whose issued shares are purchased by one of the SITE's funds, provided that this restriction shall not apply where the FSC so provides.

### Chapter 2 Finance

#### Article 11

A SITE shall allocate a special reserve at a rate prescribed by FSC regulations.

## Article 12

The capital of a SITE may not be loaned to others, used to purchase real estate unconnected with SITE business operations, or transferred for other uses. SITE capital not required for business operations shall be restricted to use in the following:

1. Deposit in domestic banks;
2. Purchase of domestic government bonds or financial bonds;
3. Purchase of domestic treasury bills, negotiable certificates of deposit, or commercial bills;
4. Purchase, in a specified ratio, of securities investment trust fund beneficial interest certificates that meet the conditions of FSC regulations;
5. Other uses approved by the FSC.

The permitted scope of investment by SITES in securities, futures, financial, and other enterprises, and related regulations, shall be prescribed by the competent authority.

Except where it complies with the provisions of Article 16, paragraph 1 of the Company Act and has received FSC approval, a SITE may not provide guarantees, endorse negotiable instruments, or provide assets for use as collateral by others.

## Article 12-1

When a SITE invests in any enterprise(s) under paragraph 2 of the preceding article and mainland China area securities investment fund management company(ies), the total amount of its equity investments in all such enterprises may not exceed 40 percent of the SITE's net worth, and shall comply with Article 13 of the Company Act. The restriction to 40 percent of its net worth does not apply, however, where the condition of ad hoc approval is met under the proviso to subparagraph 7 of paragraph 1, Article 25 hereof.

A SITE shall establish mechanisms for management and risk-assessment in connection with its investment in other enterprises, and shall expressly adopt in its internal control system measures for preventing any conflicts of interest that could arise from such investment, and strictly implement such measures, to ensure that the SITE shall not do anything in conflict with or injurious to the rights and interests of any beneficiary or customer.

## Article 13

The financial reports of a SITE shall be prepared in accordance with these Regulations and other applicable laws and regulations. Matters not provided for therein shall be governed by generally accepted accounting principles (GAAP).

The GAAP referred to in the preceding paragraph, from the fiscal year of 2013, means the following as recognized by the FSC: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Within 3 months of the end of any fiscal year, a SITE shall announce and submit to the FSC the annual financial report signed or sealed by the chairperson, managerial officer, and accounting officer, audited and attested by certified public accountants, approved by the board of directors, and recognized by the supervisors.

Unless fewer than 2 full fiscal years have elapsed since the SITE business license was acquired, if the net worth per share of the SITE falls below par value in the financial statements required to be reported under the preceding paragraph, the FSC may order it to take corrective action within a prescribed period of time, and additionally may take the following actions:

1. If the net worth per share is not lower than half of par value, the FSC may restrict the SITE from publicly offering securities investment trust funds. The SITE shall make improvement within 1 year. If no improvement is made within the prescribed time limit, the FSC may restrict it from privately placing securities investment trust funds.

2. If the net worth per share is lower than half of par value, the FSC may restrict the SITE from publicly offering or privately placing securities investment trust funds.

If the SITE has, during a fiscal year, made improvements so that the net worth per share is not lower than par value, it may apply to the FSC to lift a restriction imposed under the preceding paragraph, attaching the CPA-audited and attested financial report for the most recent period. The annual financial reports referred to in paragraph 3 shall be delivered to the SITCA for submission to the FSC.

#### Article 14

A securities investment trust fund publicly offered or privately placed by a SITE shall be separate and independent of the SITE's own assets and the assets of the fund's custodian institution.

#### Article 15

A SITE may not itself keep custody of securities investment trust funds, but shall place the funds in the custody of a trust fund custodial institution.

A trust enterprise concurrently operating securities investment trust business may keep custody of a securities investment trust fund under any of the following conditions:

1. The fund is a privately placed securities investment trust fund.
2. For each publicly offered securities investment trust fund, the enterprise has a trust supervisor who is also capable of fulfilling the duties pertinent to trust fund custodial institutions set out in the Trust and Consulting Act and laws and regulations adopted pursuant to that Act, as well as the duties set out in Article 62, paragraph 3 of the Regulations Governing Securities Investment Trust Funds.

Where subparagraph 2 of the preceding paragraph applies, then prior to application for or notification of the public offering of a securities investment trust fund, the enterprise shall draft concrete plans, to be submitted for FSC approval, covering the method of selection of the trust supervisor and the execution by the trust supervisor of duties commensurate with those of a trust fund custodial institution.

The provisions of Article 22 of the Trust and Consulting Act and Article 59 of the Regulations Governing Securities Investment Trust Funds shall apply mutatis mutandis to the trust supervisor referred to in paragraph 2, subparagraph 2 above.

#### Article 16

Except where otherwise provided in these Regulations, a SITE that publicly offers or issues securities in connection with a capital increase or decrease shall do so in accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

The FSC will separately announce the application forms and the regulations pertinent to the issuance of securities in connection with a capital increase or decrease by a SITE that has no publicly issued shares.

#### Article 17

A SITE applying to carry out a capital decrease through the cancellation of capital stock shall meet the following requirements, unless otherwise provided by the FSC:

1. The SITE's financial statements for the preceding fiscal year or half-year shall be CPA audited and attested, issued with an unqualified opinion, and show a sound financial condition with no losses or accumulated deficits.
2. The SITE shall have implemented any suggestions for improving the internal control system issued by the CPA during auditing and attestation in the preceding fiscal year or half-year.
3. The SITE shall have received no disposition under Article 103, subparagraphs 2-5 of the Trust and Consulting Act or Article 66, subparagraphs 2-4 of the Securities and Exchange Act during the preceding 3 years, provided that this condition shall not apply when the SITE has made concrete improvement with respect to its violation and the improvement has been recognized by the FSC.

The amount of capitalization after a reduction in capital through the cancellation of capital stock by the SITE may not be lower than the minimum paid-in capital prescribed by the Standards Governing the Establishment of Securities Investment Trust Enterprises; the SITE's net worth after the capital decrease, except where otherwise prescribed by the FSC, may not be lower than NT\$900 million.

#### Article 17-1

When a SITE distributes surplus earnings or offsets loss, it shall do so based on the financial report audited by certified public accountants.

#### Article 18

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### Chapter 3 Operations

#### Article 19

A SITE shall operate in accordance with the Trust and Consulting Act, orders issued under that Act, and contractual stipulations; it shall act with the care of a good custodian and exercise its fiduciary duty based on principles of good faith and credit.

Except where law or regulation provide otherwise, a SITE as referred to in the preceding paragraph may not engage in the following conduct:

1. Divulging information gained in the course of business to others or using it to engage in trading activities involving the buying and selling of securities or related products.
2. When using securities investment trust funds to trade in securities or related products, engaging in buying or selling for its own benefit or the benefit of others, or using funds consigned for investment in cross-trading.
3. Engaging in false or deceptive acts or other conduct that would cause misplaced trust.
4. When using securities investment trust funds to trade in securities or related products, failing to credit to the fund assets any processing fees returned or other benefits paid by securities firms, futures firms or other trading counterparts.
5. Stipulating or providing specific benefits or considerations or bearing losses in order to promote the sale of beneficial interest certificates.
6. Collecting monetary or other benefits in return for the transfer of shareholder proxy forms or the exercise of voting rights associated with shares held by a securities investment trust fund.
7. When using securities investment trust funds to trade in securities or related products, attempting to raise or depress the trading price of a particular security on the securities trading market, or engaging in other conduct damaging to the rights and interests of securities investment trust funds investors.
8. When using securities investment trust funds to trade in securities or related products, changing an already-completed consigned trade made on a securities investment trust fund account to a trade on one's own account, another's account, or a discretionary trading account, or changing it from a trade made on one's own account, another's account, or a discretionary trading account to one made on a trust fund account.
9. Recommending trading of a particular security in a public forum or the media, or making judgments about or forecasts of the future price of a particular security.
10. Using non-professional personnel to solicit clients, or paying unreasonable commissions.
11. Engaging in business at a non-registered place of business.
12. Engaging in other conduct prejudicial to the rights and interests of beneficiaries, clients, or SITE operators.

Except where other laws or FSC regulations so provide, a SITE as referred to in paragraph 1 shall maintain the confidentiality of client and beneficiary information, their trading histories, and other related information.

A SITE shall adopt and implement rules governing the administration of internal personnel in accordance with SITCA regulations.

#### Article 20

After approval and issuance of a business license to a SITE, the SITE shall apply to publicly offer a securities investment trust fund within 1 month. The fund shall be publicly offered in accordance with the Regulations Governing the Public Offering of Securities Investment Trust Funds by Securities Investment Trust Enterprises.

Where a SITE has failed to apply for or publicly offer a fund in accordance with the provisions of the preceding paragraph, its business approval will be voided and it will be notified to surrender its business license within a prescribed period. The license will be cancelled by FSC announcement if the SITE fails to surrender the business license within the given period.

Where an enterprise other than a trust enterprise concurrently operates securities investment trust business but has failed to apply for (or give notification of) the public offering of a securities investment trust fund within a 2-year period after FSC approval and registration, its approval for operation of securities investment trust fund business will be voided.

Where a securities investment consulting enterprise ("SICE") concurrently operates securities investment trust business with the FSC's permission, but has not applied for, publicly offered and established a securities investment trust fund pursuant to Article 7 of the Regulations Governing the Public Offering of Securities Investment Trust Funds by Securities Investment Trust Enterprises within 2 years after its new business license was issued, its permission for concurrent business operations shall be revoked.

A SITE, or a securities investment trust business concurrently operated by another enterprise, that fails to publicly offer and establish a securities investment trust fund pursuant to paragraph 1, 3, or 4 herein may not privately place a securities investment trust fund.

#### Article 21

A SITE shall provide for reference, at the SITE's and the fund distributor's respective places of business, the prospectus for a given trust fund, relevant marketing documents, securities investment trust fund contracts, and CPA audited and attested or CPA reviewed financial reports for the most recent period for the SITE itself and for the fund.

The prospectus and the CPA audited and attested or CPA reviewed financial reports for the most recent period referred to in the preceding paragraph shall also be uploaded to an information disclosure website designated by the FSC. This requirement shall not apply to a trust enterprise or a futures trust enterprise concurrently operating securities investment trust business that has already announced the CPA audited and attested or CPA reviewed financial reports for the enterprise for the most recent period on the website of the Trust Enterprise Association pursuant to Article 39 of the Trust Enterprise Act or Article 29 of the Regulations Governing Futures Trust Enterprises.

#### Article 22

A securities investment trust enterprise may not engage in the following types of conduct in advertising, public information meetings, or other promotional activities:

1. Using the fact of a securities investment trust fund having received FSC approval or registration by notification as verification of any matter connected with application or in publicity guaranteeing the value of beneficial interest certificates.
2. Conduct inducing mistaken confidence that the security of investment capital or profitability can be guaranteed.
3. Offering gifts or other benefits as an inducement to purchase beneficial interest certificates, provided that this restriction shall not apply where otherwise provided by the FSC.
4. Exaggerated publicity about past performance or advertising attacking industry competitors.
5. False or deceptive conduct, or conduct that otherwise results in misplaced trust.
6. Advance advertising or promotional activities for a securities investment trust fund not yet approved by the FSC or registered by

notification.

7. Dissemination of information that contravenes laws or regulations, the securities investment trust contract, or information contained in the prospectus.

8. Making forecasts of a securities investment trust fund's investment performance.

9. Promotion of a securities investment trust fund that involves speculation on future New Taiwan Dollar exchange rate trends.

10. Other conduct prejudicial to the rights and interests of the enterprise or beneficiaries.

A SITE shall report any advertising, public information meeting, or other promotional activity for a fund undertaken by the SITE or a seller of the SITE's funds to the SITCA within 10 days of its occurrence. Where the SITCA discovers conduct prohibited by any subparagraph of paragraph 1, it shall file a letter of report with the FSC prior to month's end in which it details the instances of such conduct.

When a seller of a SITE fund violates any provision of the preceding two paragraphs in its advertising, public information meetings, or other promotional activities for a fund, the SITE and the seller of its funds shall bear liability for the violation in accordance with relevant laws and regulations.

#### Article 22-1

A SITE must fully understand and assess each customer's investment knowledge, investment experience, financial condition, and degree of risk tolerance.

For an customer making a first-time subscription, the SITE and the seller of its funds shall require the customer to furnish identification documents or incorporation documentation and to fill out basic identifying information.

The SITE and a seller of its funds shall handle matters relating to subscription and redemption of funds in accordance with the securities investment trust contract, the prospectus, and the SITCA's Operating Procedures for the Public Offering, Issuance, and Sale of Securities Investment Trust Funds and Their Subscription and Redemption. For fund transactions that are above a specified amount or suspected of being money-laundering transactions, complete and accurate transaction records and documentation on subscription, redemption, or conversion shall be retained, and the provisions of the Money Laundering Control Act shall be implemented.

When the SITE pays a redemption price to a beneficiary whose trading activity conforms to the standards, for a given fund, for identification of short-term trades, the SITE shall deduct the fund's short-term redemption fee from that price in accordance with the provisions of the prospectus.

The redemption fee shall be reallocated as a part of fund assets.

The SITE's internal control system shall include operating principles regarding know-your-customer programs, the conduct of fund sales, prevention of short-term trading, control of money laundering, and principles to be observed in accordance with relevant laws and regulations.

#### Article 23

Except where otherwise provided by law or regulation, a SITE exercising voting rights associated with shares it holds in a securities investment trust fund shall do so through representatives appointed from among SITE personnel.

A SITE exercising the voting rights referred to in the preceding paragraph shall do so in the best interest of beneficial interest certificate holders, and may not directly or indirectly participate in the management of the company issuing the shares it holds or in other inappropriate arrangements.

Before attending a shareholders' meeting of an issuing company whose shares are held in a SITE fund, the SITE shall prepare a description of the assessments and analyses forming the basis for its voting.

A SITE shall register and keep under its administration notices of shareholders' meetings and certificates of attendance from the issuing companies whose shares its funds hold; the SITE shall also keep written



records, in sequentially numbered files preserved for a period of no less than 5 years, of the assessments and analyses, decisions taken, and results of voting in connection with each exercise of its voting rights. A SITE attending a beneficiaries' meeting of a fund held by one of its securities investment trust funds shall exercise its voting rights in the greatest interests of that securities investment trust fund's beneficiaries; the provisions of the preceding two paragraphs shall apply *mutatis mutandis*.

#### Article 24

When a SITE is unable to continue securities investment trust fund business due to dissolution, suspension or termination of business, or cancellation or voiding of its business approval, it shall seek another SITE to succeed to that business, subject to the approval of the FSC.

When a SITE is unable to find a successor in accordance with the preceding paragraph, another SITE will be designated as successor by the FSC; the designated successor may not refuse except when it reports to and receives approval from the FSC based on a legitimate reason.

Given obvious mismanagement of a securities investment trust fund by a SITE, the FSC may order the fund transferred to the management of another, FSC-designated SITE.

Public announcement of the succession or transfer referred to in the preceding three paragraphs shall be made by the successor SITE.

Prior to a designation or order made by the FSC pursuant to paragraphs 2 and 3 above, the SITCA may seek a successor through coordination with other SITES in accordance with Article 88, paragraph 1, subparagraph 5 of the Trust and Consulting Act.

### Chapter 4 Investment in foreign and mainland China enterprises

#### Article 24-1

A SITE or a subsidiary thereof that invests in a mainland China area securities investment fund management company shall do so in accordance with the provisions of the Regulations Governing Permission and Administration of Securities and Futures Business Dealings and Investment Between the Taiwan Area and the Mainland Area.

#### Article 25

Except where otherwise provided by law or regulation, a SITE investing in a foreign enterprise(s) shall comply with each of the following conditions:

1. The SITE shall have been in operation for a full 2 years.
2. The SITE shall have received no disposition pursuant to Article 103, subparagraph 1 of the Trust and Consulting Act or Article 66, subparagraph 1 of the Securities and Exchange Act within the preceding 3 months.
3. The SITE shall have received no disposition pursuant to Article 103, subparagraphs 2 or 3 of the Trust and Consulting Act or Article 66, subparagraph 2 of the Securities and Exchange Act within the preceding half year.
4. The SITE shall have received no disposition pursuant to Article 103, subparagraph 4 of the Trust and Consulting Act or Article 66, subparagraph 3 of the Securities and Exchange Act within the preceding year.
5. The SITE shall have received no disposition pursuant to Article 103, subparagraph 5 of the Trust and Consulting Act or Article 66, subparagraph 4 of the Securities and Exchange Act within the preceding 2 years.
6. The SITE shall have a net worth per share not lower than the par value as evidence by the CPA audited and attested financial report for the preceding period.
7. The total amount invested by a SITE in foreign enterprises and mainland China area securities investment fund management companies may not exceed 40 percent of the net worth of the SITE, provided that this restriction does not apply where there are special circumstances necessitating ad hoc approval.

When a SITE has been in non-conformance with the provisions of any of subparagraphs 2 through 5 of the preceding paragraph but has made concrete improvement with respect to its violation and the improvement has been recognized by the FSC, the provisions of the respective subparagraph do not

apply.

#### Article 26

A SITE applying to invest in a foreign enterprise shall fill out an application form to be submitted with the following documents for approval by the FSC:

1. The minutes of the directors' or shareholders' meeting.
2. A CPA audited and attested financial report for the preceding period.
3. An investment plan outlining the following matters:
  - A. Investment plan: To include investment objectives and expected returns; source of funds and plan for utilization; operations plan; and capital recovery plan. For investment in a holding company, a reinvestment plan shall also be submitted.
  - B. Business management plan: To include the company's location; capitalization; profiles of other chief promoters or shareholders; business management; lines of business; and principles of business management.
  - C. Financial forecasts for the forthcoming 2 years.
4. For a newly established company or an invested company, articles of incorporation or an equivalent document.
5. The relevant regulatory statutes or self-regulatory agreements in the country of investment.
6. A list detailing all invested enterprises as of the date of application.
7. Other documents required by the FSC.

A SITE shall submit documents for recordation with the FSC evidencing actual investment within 6 months from the date of receiving approval for investment in a foreign enterprise.

Regarding investments under paragraph 1 of this article for which the SITE has received approval from the FSC, if the SITE furthermore meets the qualification requirements set out in paragraph 1, subparagraphs 2 to 5, or paragraph 2, of the preceding article, it may submit the documents set out in subparagraphs 1, 3, 4, and 6 of paragraph 1 of the present article to apply to the FSC for approval of an increase in the amount of investment in the foreign enterprise.

#### Article 26-1

If any of the following circumstances occurs in connection with any investment by a SITE in a foreign enterprise as approved by the FSC, the SITE shall report the reasons to the FSC along with relevant documentation:

1. Change in business items or material operating policies.
2. Change in the original shareholding ratio of the SITE or its subsidiary.
3. Making of any material equity investment.
4. Dissolution or suspension of operations.
5. Change in the name of the enterprise.
6. Merger with another enterprise, or assignment to or receipt of assignment from another of all or a major part of assets or operations.
7. Occurrence of reorganization, liquidation, or bankruptcy.
8. Occurrence or foreseeable occurrence of any instance of material loss.
9. Material violation of law or regulation or voidance or revocation of the business permit or registration by a competent authority.
10. Occurrence of litigation or other material event.

For any circumstance under subparagraphs 1 to 7 of the preceding paragraph, unless otherwise provided by the FSC, the SITE shall report to the FSC in advance. For any circumstance under subparagraphs 8 to 10 of the preceding paragraph, the SITE shall report to the FSC within 3 days from the day on which it becomes aware of the circumstance or on which the circumstance occurs.

#### Article 27

(deleted)

#### Article 28

Unless otherwise provided by the FSC, a SITE that has made an equity investment in any foreign enterprise(s) or mainland China enterprise(s) as approved by the FSC shall do the following:

1. Submit to the FSC, within 6 months after the end of the investee

enterprise's business year, the annual financial reports of the investee enterprise.

2. Submit to the FSC, within 15 days after the end of each quarter, an operations report on the investee enterprise, including status of operations, revenues and expenditures, and an efficiency assessment.
  3. Submit to the FSC, by the 10th day of each month, a report on the business and financial information and operational status of the investee enterprise for the preceding month.
  4. Report the basic company information of the investee enterprise through the information reporting system designated by the FSC, and scrupulously update the information in the event of any change thereto.
  5. Submit any other information or documentation as required by the FSC.
- A SITE having received approval for investment in a foreign or mainland China enterprise shall file for FSC recordation any evidentiary documents it receives for outward remittance of funds, registration, or amended registration for the invested foreign securities enterprise within 5 days of their receipt.

The outward remittance of funds referred to in the preceding paragraph shall be subject to FSC approval and remitted in compliance with the Act for Regulation of Foreign Exchange and related provisions.

## Chapter 5 Merger

### Article 29

Except where otherwise provided by the Financial Institution Merger Act, the Business Mergers and Acquisitions Act, or other relevant laws and regulations, a SITE that applies for a merger shall comply with the following conditions:

1. The CPA audited and attested financial report for the preceding period shall show a net worth per share not lower than par value.
2. Securities investment trust funds for which net asset value per unit is below par value may not exceed one-half the total number of funds managed by the given SITE.
3. The SITE shall have received no disposition pursuant to Article 103, subparagraphs 2-5 of the Trust and Consulting Act or Article 66, subparagraphs 2-4 of the Securities and Exchange Act within the preceding half-year period, provided that this restriction shall not apply when the SITE has made concrete improvement with respect to its violation and the improvement has been recognized by the FSC.
4. There shall have been no large-volume changes in the shareholdings of any director, supervisor, or shareholder with holdings of five percent or more of the total outstanding shares of the enterprise within the preceding 1-year period.

When a SITE applying for merger is out of compliance with the above provisions, the FSC may issue an ad hoc approval based on an overall consideration of factors such as sound securities market development and the SITE's competitive status.

### Article 29-1

When a SITE applies to merge with a SICE, in addition to complying with the Financial Institution Merger Act, Business Mergers and Acquisitions Act, and other provisions as provided by law, both companies participating in the merger shall also comply with the following provisions:

1. Having a net worth per share not lower than par value in the CPA-audited and attested financial report for the most recent period.
2. Having received no disposition under Article 103, subparagraphs 2 to 5 of the Trust and Consulting Act, Article 66, subparagraphs 2-4 of the Securities and Exchange Act, or Article 100, subparagraphs 2 through 4 of the Futures Trading act in the preceding half year, provided that this restriction shall not apply when the SITE has made concrete improvement with respect to its violation and the improvement has been recognized by the FSC.
3. The SITE shall meet the requirements for applying to concurrently operate securities investment consulting business as set forth in the Standards Governing the Establishment of Securities Investment Consulting Enterprises

For a SITE that applies to merge with a SICE but is not in compliance with the provisions of the preceding paragraph, the FSC may grant ad-hoc approval based on an overall consideration of factors such as sound development of the securities market and the SITE's competitiveness.

#### Article 30

When a SITE undergoes merger, or merges with a SICE, the companies participating in the merger shall publicly announce the content of the resolution and the particulars to be stated in the merger agreement within 2 days of the merger date, and report related merger information to the FSC.

The "date of merger" referred to in the preceding paragraph shall be the earliest date on which a resolution of a board of directors is passed, a merger agreement is signed, or any other act takes place sufficient to confirm intent to merger.

After information regarding a SITE merger or a SITE merger with a SICE has been made public, if there is subsequently any objective factual occurrence indicating that the merger cannot be consummated, a public announcement shall be made and the related information reported to the FSC within 2 days from the date of such factual occurrence.

#### Article 31

(Deleted)

#### Article 32

When a SITE applies for merger, or a SITE applies to merge with a SITE, it shall fill out an application form to be submitted along with the following documents for FSC approval:

1. Records of deliberations on merger and passage of the relevant resolution at the board of directors' or shareholders' meetings of the participating companies.
2. Merger agreement: in addition to the content required under Article 8, paragraph 2 of the Financial Institution Merger Act, for a merger of a SITE and a SICE, it shall also contain measures to protect the rights and interests of the SICE's customers.
3. Supporting documents showing announcement (notification) of the content of the merger resolution and of the required contractual clauses.
4. Financial reports of the participating companies, CPA audited and attested, for the preceding 2 fiscal years.
5. Pro forma consolidated balance sheets for the record date of calculation of the share conversion ratio and a copy of CPA audited and attested financial reports for the same day for the participating companies.
6. An opinion statement on the reasonableness of the share exchange ratio in the given merger (including the reasonableness of the methods of evaluation underlying calculation of the share exchange ratio) from an independent expert.
7. Merger plan: set out any post-merger adjustment to organizational structure and place of business, post-merger business strategy and policy, projected merger progress and schedule, projected benefit and financial forecast for the next 2 years, the feasibility, necessity, and reasonableness of the plan content, a post-merger consolidation plan for securities investment trust fund management, and measures to protect the rights and interests of beneficiaries and existing SICE customers.
8. A photocopy of the relevant competent authority's letter of approval (applicable only in cases where the Fair Trade Act requires such approval for a combination of enterprises).
9. A list of shareholders requesting subscription to shares and the amounts of their membership capital.
10. Assessment opinion by a lawyer regarding the legality of the merger.
11. A declaration that the application form and attached documents contain no concealment or misrepresentation.

When applying for merger, a SITE may simultaneously apply for issuance of new shares in connection with the merger.

When a SITE applies for a permit to concurrently conduct securities investment consulting business, it may simultaneously apply to merge with a SICE, and may simultaneously submit an application to issue new shares due

to merger.

Article 33  
(Deleted)

Article 34  
(Deleted)

Article 35

Following a SITE's merger, securities investment trust funds originally under its management shall be handled according to the following provisions:

1. For open-ended securities investment trust funds originally under the SITE's management, merger or other appropriate disposition shall be considered for funds highly similar in nature.
2. For closed-end funds originally managed by the non-surviving company, a beneficiaries' meeting shall be convened to report the facts of the merger and its possible effects, and to discuss continued management of the funds by the surviving company, or, in the event consent is not obtained at the beneficiaries' meeting, an alternative disposition of the funds.
3. For special covenants stated in the prospectus or other public document for the offering of closed-end funds originally managed by the SITE, if assessment shows the inability to fulfill those covenants along with a resulting material effect on beneficiary rights and interests, additional provisions shall be added for the given fund allowing periodic redemption by beneficiaries.

Article 36

When a SITE merger would result in securities held by a securities investment trust fund under the SITE's management becoming the securities of an interested-party company, then after its public disclosure of merger-related information, the SITE may not increase holdings of those securities except as results from the issuance of bonus shares, and shall rectify the situation within a 2-year period.

When a SITE merger would result in the total amount invested in a given security by its managed funds exceeding the ratio set out in the Regulations Governing Securities Investment Trust Funds, then after its public disclosure of merger-related information, the SITE may not increase holdings of that security except as a result of the issuance of bonus shares, and shall effect compliance within a 2-year period.

## Chapter 6 Supplementary Provisions

Article 37

The format of documents required pursuant to these Regulations will be announced by the FSC.

Article 38

Except where otherwise provided by the Trust Enterprise Act or other applicable laws and regulations, Articles 2, 4, 5, 10, 15, 19, and 21-24 herein shall also apply to a trust enterprise that concurrently operates securities investment trust business.

A securities investment consulting enterprise or a managed futures enterprise that concurrently conducts securities investment trust business shall apply the provisions of Article 2, Articles 4 through 6, Article 8, Article 10, Article 11, Article 14, Article 15, Article 19, and Articles 21 through 24.

Article 2, Articles 4 through 6, Article 10, Article 11, Article 14, Article 15, Article 19, and Articles 21 through 24 shall apply to a futures trust enterprise that concurrently operates securities investment trust business.

Article 39

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