

## **Plan to Encourage Stronger Business Ties in Taiwan for Offshore Funds**

- I. To encourage offshore fund institutions to set up business locations in Taiwan or strengthen the functions of the master agents and provide quality services and fund products to the offshore fund investors in Taiwan, the Financial Supervisory Commission (FSC) set forth this plan in aim to promote the development of the asset management market in Taiwan.
- II. Offshore fund institutions meeting the criteria laid out in “III” may apply to the FSC with the supporting documents for recognition by the end of June each year. The application may be accompanied by a proposal for applicable preferential measures listed in “IV” below.
- III. Offshore fund institutions meeting the criteria covered in the three dimensions described below may be eligible for the preferential measures listed in “IV” below upon recognition. Please see the section below for descriptions of the three dimensions and the relevant evaluation indicators. Some evaluation indicators are further divided into two groups: Group A (without business locations in Taiwan) and Group B (with business locations in Taiwan):

### **(I) Dimension 1: Increase investments in Taiwan by offshore fund institutions, including setting up business locations and investing in technology and manpower.**

#### **1. Evaluation Indicator 1:**

- (1) Group A: The master agent of an offshore fund institution in Taiwan, whose product analysts exceed the minimum number specified by the FSC and the channel service

personnel reach the minimum number of a higher level specified by the FSC. In addition, the master agent shall be free of significant violations of applicable rules and regulations over the last three (3) years from the day of application unless under significant change in the management due to corporate merger, acceptance of assignment or assignment of equity shares and at the approval of FSC.

- (2) Group B: An offshore fund institution which has set up securities investment trust enterprise (SITE), securities investment consulting enterprise (SICE), or securities firm in Taiwan. The aforementioned SITE and SICE shall be free of significant violation of applicable rules and regulations over the last three (3) years from the day of application unless under significant change in the management due to corporate merger, acceptance of assignment or assignment of equity shares and at the approval of FSC.

**(II) Dimension 2: Increase the scale of the asset management industry in Taiwan. Companies must satisfy two of the indicators among 2.1, 2.2, or 2.3, or satisfy indicator 2.4, to qualify for this dimension.**

**1. Evaluation Indicator 2.1:**

- (1) Group A: An offshore fund institution, which engages Taiwan business operators to invest their foreign capital on a discretionary basis or provide consulting services with power of investment decision, has an average assets scale in

the recent year reaching NT\$5 billion.

- (2) Group B: An offshore fund institution, whose SITE and SICE in Taiwan has an average asset management scale in the recent year (including public offering funds, private placement funds, discretionary investment assets, and assets under consulting services with power of investment decision) reaching a scale comparable to the actual asset scale of the top 1/3 of companies (ranking from the highest to the lowest) in Taiwan operating in a similar nature. Or, the average scale of asset management in the most recent year (excluding the money market funds) reaches minimum NT\$10 billion while the growth rate of the asset scale in the most recent year is positive, which 5% or more than the average growth rate of the market scale.

**2. Evaluation Indicator 2.2:** An offshore fund institution, which engages Taiwan SICE to provide general investment consulting services, has an average asset-under-consulting services scale in the most recent year reaches a certain level.

**3. Evaluation Indicator 2.3:**

- (1) Group A: A master agent of an offshore fund institution whose revenue from its master agency operation in the most recent year is no lower than the top 2/3 revenue of the SITEs in Taiwan.
- (2) Group B: An offshore fund institution, whose business location in Taiwan has revenue in the most recent year no lower than the median revenue of the SITEs in Taiwan.

**4. Evaluation Indicator 2.4:** An offshore fund institution, which has invested in funds issued by Taiwan SITE for over NT\$ 4 billion on average in the most recent year.

**(III) Dimension 3: Improving talent development of asset management in Taiwan. Companies must satisfy one of the following three indicators to qualify.**

**1. Evaluation Indicator 3.1:** In the most recent year, the offshore fund institution, its master agent or business location in Taiwan, has hired or developed Taiwanese talent by sending at least three new or existing Taiwanese employees to work at the offshore fund institution for three months, with the total training period reaching 36 months with substantive work results.

**2. Evaluation Indicator 3.2:** An offshore fund institution conducting asset management talent development programs or cooperating with university in Taiwan to provide financial education/training, internships, or training executive opportunities with outstanding results.

**3. Evaluation indicator 3.3:** In the most recent year, the offshore fund institution assists the master agent or its business location in Taiwan to develop core asset management technical talent such as investment research, product design, risk management, or investment trading, with substantive results.

**(IV) Other substantial contributions which enhance the business operation and development of the asset management industry in Taiwan. Each contribution recognized by the FSC may be deemed achieve one of the evaluation indicators listed in the**

three dimensions above.

IV. An offshore fund institution, which has been qualified in the evaluation of all three dimensions described above and satisfies four evaluation indicators, may be eligible for one preferential measure. Companies qualified for all three dimensions and satisfy five or more evaluation indicators may be eligible for two preferential measures.

(I) Relax the number of product analysts: Attachment 3 of the FSC's Jan. 10 2012 Order No. Financial-Supervisory-Securities-Investment-10000612073

specified the personnel requirements for master agent of offshore funds. Master agents, who represent "specific offshore fund" —the fund held by domestic investors exceed NT\$10 billion and annual average investment % by domestic investors exceeds 50%, are requires to employ qualified product analysts weighted by the number of "specific offshore fund" x 2. Companies which meet the above criteria may lower the weighted number to number of "specific offshore fund" x 1.

(II) Relax the number of channel service personnel, master agents which meet the criteria may apply the minimum number of required channel service personnel of a lower level.

(III) Expedite review process for applications of special case approval for the waiver of the restrictions on the derivatives position held by the offshore fund.

(IV) Expedite review process for applications to launch offshore funds in Taiwan.

- (V) Relax the limit on permissible number of offshore funds per application to 3.
  - (VI) Within the scope stipulated by the Regulations Governing Offshore Funds, offshore fund institution could be allowed to introduce new types of funds to Taiwan market, such as principal guaranteed offshore funds, index offshore funds, and offshore funds that do not comply with the investment regulations of investment trust funds of the same type, such as fixed income offshore funds with primary investments in convertible bonds, etc.
  - (VII) Raise the ceiling limit for investment in the securities in Mainland China area by offshore funds to 30% of the total net asset value of the specific offshore funds.
- V. The recognition is valid for one year. The FSC reserves the right to reject offshore fund applications based on the Regulations Governing Offshore Funds and the overall eligibility evaluated case by case.