

Q&A regarding Regulations Governing Offshore Funds

(for English website use)

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I. Offshore Fund Master Agent

- 1. In accordance with Article 9 of Regulations Governing Offshore Funds, a master agent shall meet the following qualifications: Have net worth per share of not less than par value according to the most recent CPA audited and certified financial report. How does this apply to a newly incorporated investment trust enterprise, investment consulting enterprise or securities dealer?**

Answer:

For any investment trust enterprise, investment consulting enterprise or securities dealer incorporated less than one year, considering that a significant amount of fixed cost and start-up expense are required following the acquisition of a business license, this requirement is not applicable before completion of a full fiscal year following the acquisition of the business license.

- 2. If the master agent has more than one fund represented by an offshore fund institution under the same group, is the operating bond calculated based on the individual fund or all funds under the same group?**

Answer:

Any master agent for any offshore fund under the same group shall post NT\$30 Million of operating bond. If the master agent acts for offshore funds of two groups, an additional operating bond of NT\$20 Million shall be posted. If the master agent acts for offshore funds of three (inclusive) or more groups, NT\$70 Million of operating bond shall be posted.

- 3. If the master agent has a branch office engaging in the offering and sale of offshore funds, is it required to file another application? Should the amount of capital and the operating bond be increased?**

Answer:

If the master agent has any branch office engaging in the offering and sale of offshore funds, no additional application is required. The minimum capital amount of the master agent remains NT\$70 Million. Neither the amount of the capital nor the amount of the operating bond needs to be increased.

- 4. In accordance with Paragraph 2, Article 13 of Regulations Governing Offshore Funds, a master agent shall produce a monthly report for the offshore funds represented by it in the format and with the content prescribed by the FSC and shall submit within 10 days after the end of each month. In which month should the offshore fund monthly report be filed? In the columns showing percentages in such monthly report, how many digits after the decimal points must be shown?**

Answer:

- (1) Considering that, for offshore funds, information such as the monthly subscription amount, redemption amount, percentage of derivatives trading and percentage of securities in the Mainland China securities markets must be provided by the offshore fund institution, requiring more time for compilation and statistics, **the master agent may provide a monthly report for the second month preceding the time of filing. Example: Before 10 May 2006, the master agent should file the monthly report for March 2006. Relevant figures in the monthly report “as of the end of the current month” should be the figures at the end of March 2006. Figures “as of**

the end of the previous month” should be the figures at the end of February 2006.

- (2) Regarding the columns showing percentages in the monthly report, in accordance with the FSC’s 4 August 2005 Order NO. Financial-Supervisory-Securities (IV)- 0940003441, the amount of investment by an offshore fund in securities in the securities markets of Mainland China shall not exceed 0.4% of the net asset value of such offshore fund. In order to achieve full disclosure of such information, the columns showing percentages up to two digits after the decimal point should be shown. The number of the third digit after the decimal point should be rounded.

5. Can the master agent subcontract administrative matters related to the offering and sale of offshore funds to specific sub-distributors?

Answer:

To protect the interests of offshore fund investors, the duties and obligations to be performed by the master agent under the Regulations should not be subcontracted. For other matters that are not covered by the regulations, the master agent may consider subcontracting based on its manner of operation.

6. For a self-managed fund asset management company (SICAV), there is no nomination of a management company. Who should be considered the offshore fund manager? If the company appoints different consulting enterprises for the management and operation of different sub-funds, can it appoint different master agents to represent it in the offering and sale of its funds domestically?

Answer:

For SICAVs, although no fund manager is nominated to manage the funds,

other consulting enterprises are actually appointed to be responsible for the management and operation of the funds. Therefore, such consulting enterprises appointed are the actual fund managers. Such consulting enterprises must meet the qualifications for fund managers required under Article 24 of the Offshore Fund Management Regulations. If the company mandate different consulting enterprises to be responsible for the management and operation of its sub-funds, since such consulting enterprises do not enjoy the decision right with regard to the marketing of the funds, the fund company or its designated institution shall designate one single master agent for the offering and sale of its funds domestically.

7. In the monthly report filed by master agent, is the amount of purchase and redemption by domestic investors during the current month calculated based on the transaction date or filing date? Should the amount of purchase during the current month as filed include the reinvestment figure?

Answer:

- (1) In the monthly report filed by the master agent, the amount of purchase and redemption by domestic investors during the current month shall be calculated based on the transaction date after confirmation of the net worth.
- (2) The amount of purchase by domestic investors during the current month shall include reinvestment amount from interest allocation.

8. In accordance with Article 12 of Regulations Governing Offshore Funds, what is the timing of public announcement for matters to be filed in relation to approved offering and sale of offshore funds? What is the timing for filing matters for approval and attached documents and the timing for public announcement?

Answer:

- (1) With regard to matters to be filed in accordance with Paragraph 1, Article 12 of the Regulations, the master agent shall publicly announce the following events within 3 days from the occurrence. The “date of occurrence” shall be determined as “the date on which the offshore fund institution reached a decision (resolution) (such as the resolution date of the board of directors or shareholder meeting). If approval from the competent authority of the place of registration is required, the date on which the approval was delivered” or “the date on which the decision by the competent authority was delivered” should be indicated. If a unified global announcement date is set by the offshore fund institution, the public announcement shall be made on this date.
- (2) For matters to be approved by the FSC as provided under Paragraph 6, Article 12 of the Regulations, an offshore fund shall require the approval of the FSC for any of the following events, and shall publicly announce such event within 3 days from the occurrence.
- (3) The timing of filing, documents to be submitted and timing of public announcement in relation to matters to be approved by the FSC are as follows:

a. Timing of Filing and Documents to be Submitted:

	Timing of Filing	Documents to be Submitted (in principle)
1. Approval by beneficiary meeting or shareholders resolution required	In addition to following Article 45 of the Regulations Governing Offshore Funds, the master agent shall immediately make a filing with the FSC.	<ol style="list-style-type: none"> 1. Notice to convene meeting to shareholders/beneficiaries (Chinese and English version) 2. Documents to be provided to shareholders/beneficiaries in accordance with the prospectus or the regulations of the place where the fund is registered (Chinese and English version).
2. Approval by beneficiary meeting or shareholders resolution not required, but approval from competent authority of the place of registration required	After the offshore fund institution makes filing with the competent authority of the place of registration of the fund, the master agent should immediately make the filing with the FSC.	<ol style="list-style-type: none"> 1. Document showing that filing has been made with the competent authority of the place of registration (such as copy of application form). 2. Documents to be submitted to the competent authority in accordance with the regulations of the place of registration of the fund (such as board resolution, draft of prospectus and simplified prospectus, etc.) (Chinese and English version) 3. Draft notice to shareholders/beneficiaries (Chinese and English version) 4. Draft of documents to be provided to shareholders/beneficiaries in accordance with the prospectus or regulations of the place of registration of the fund (Chinese and English version)
3. Neither the approval by beneficiary meeting or shareholders resolution nor the approval from competent authority of the place of registration is required	After the offshore fund institution reaches the decision (resolution), it shall notify the master agent immediately to make the filing with the FSC.	<ol style="list-style-type: none"> 1. Document justifying the resolution (such as board resolution, notice letter from offshore fund institution, etc.)(Chinese and English version) 2. Draft notice to shareholders/beneficiaries (Chinese and English version) 3. Draft of documents to be provided to shareholders/beneficiaries in accordance with the prospectus or regulations of the place of registration of the fund (Chinese and English version)

Note: If the notice to shareholders/beneficiaries (draft) or prospectus/simplified prospectus (draft) is changed pursuant to the requirements of other competent authority, the FSC shall be notified as soon as possible.

b. Timing of Public Announcement – Public announcement to be made within 3 days from the occurrence:

Matter of Filing	Determination of Date of Occurrence
<ol style="list-style-type: none"> 1. Transfer, merger or liquidation of fund. 2. Increase of remuneration to fund management or custodian institution. 3. Change of fund management or custodian institution. 4. Change of name of fund. 5. Change of investment target and strategy, leading to change of type of fund. 6. Major organizational adjustment or change of name of fund management or custodian institution. 	<ol style="list-style-type: none"> 1. If approval from the competent authority of the place of registration of the offshore fund is required, the date of occurrence is the date on which such approval is delivered. 2. If only the approval by beneficiaries' meeting or shareholders' resolution is required and the approval from the competent authority of the place of registration is not required, the date of occurrence is the date on which the resolution is passed. 3. If neither the approval by beneficiaries' meeting or shareholders' resolution or the approval from the competent authority of the place of registration is required, the date of occurrence is the date on which the FSC approval is delivered. 4. If the offshore fund institution has a single date of public announcement globally, the public announcement shall be made on such date.
<ol style="list-style-type: none"> 1. Termination of domestic offering and sale of the fund. 2. Change of investment guidelines and scope of the fund, resulting in incompliance with Article 23. 	<p>Date of occurrence is the date on which the FSC approval is delivered.</p>

(4) With regard to documents to be submitted for approval, in addition to the principles under Paragraph (3) a., the following are additional notes:

Matter of Filing	Additional Notes about Documents/Contents to be Submitted
<ol style="list-style-type: none"> 1. Transfer, merger of fund 	<ol style="list-style-type: none"> 1. The notice letter to shareholders/beneficiaries shall include: (1) reason for transfer/merger; (2) relevant cost and sharing of transfer/merger; (3) options available to shareholders/beneficiaries (such as filing for redemption or free conversion before certain date); (4) investment strategy of the fund after transfer/merger. 2. If the surviving fund is a New Shell Fund established for the purpose of legal compliance or transfer, a document of proof or directors' statement shall be submitted providing that the fund currently has no fund asset or has only the legally required minimum asset.

Matter of Filing	Additional Notes about Documents/Contents to be Submitted
2. Liquidation of fund	The notice letter to shareholders/beneficiaries shall include: (1) reason for liquidation; (2) relevant cost and sharing of liquidation; (3) options available to shareholders/beneficiaries.
3. Change of fund management or custodian institution	<p>1. For change of fund manager, documents to be submitted are: document showing that the new fund manager meets the requirements under Article 24 of the Regulations Governing Offshore Funds, statement issued that is consistent with Subparagraphs 1 to 5, Article 23 of the Regulations, latest financial statements and documents subject to corresponding change under Articles 27, 27-1 or 28 of the Regulations.</p> <p>2. For change of fund custodian institution, documents to be submitted are: document showing that the new fund custodian institution meets the requirements under Article 25 of the Regulations Governing Offshore Funds and other documents subject to corresponding change under Articles 27, 27-1 or 28 of the Regulations.</p>
4. Change of investment target and strategy, leading to change of type of fund	Draft prospectus, draft investors information summary and table of comparison for changed items
5. Other matters to be approved by the FSC	(For example, for change of place of registration of fund management or custodian institution, the legal opinion required under Paragraph 1, Article 27 of the Regulations Governing Offshore Funds shall be provided)

(5) The period of “within 3 days from the occurrence” referred to under Paragraphs 1 to 6, Article 12 of the Regulations shall be calculated in accordance with Paragraph 4, Article 48 of the Administrative Procedure Act. If the end date of the period falls on a Sunday, national holiday or other non-working day, the end day of the period shall be the following day. Therefore, if the end day of “within 3 days from the occurrence” falls on a Sunday, national holiday or other non-working day, the following day shall be the time for public announcement.

9. In accordance with Paragraph 1, Article 3 of Regulations Governing Offshore Funds, an offshore fund manager or an institution appointed by the offshore fund manager shall appoint a single master agent to represent it in the offering and sale of its funds in Taiwan. Can the offshore fund manager or its designated institution appoint different master agents for

domestic offering and sale of the fund?

Answer:

In principle, the offshore fund manager and its designated institution should appoint the same master agent, i.e., funds represented by the same offshore fund manager should only be represented in offering and sold domestically by the same master agent designated by such fund manager and its designated institution. However, if the fund represented by the offshore fund manager is a Private Label Fund and the prospectus of the fund specifically discloses that it is a fund established by another asset management company, then if the asset management company that exercises the actual decision right for the investment and sale of such fund meets the qualifications for an offshore fund manager under Article 24 of the Regulations Governing Offshore Funds, such asset management company may also be the offshore fund manager and may appoint a single master agent to carry out the domestic offering and sale of such fund.

10. In accordance with Paragraph 5, Article 3 of Regulations Governing Offshore Funds, except in cases of investment in offshore funds through trust enterprises under non-discretionary trust of money agreements, a sub-distributor handling the purchase, redemption, or switch of an offshore fund by investors shall forward the transaction instructions to the offshore fund institution via the master agent. Can the master agent or sub-distributors such as trust enterprises make transmission through an information transmission service institution?

Answer:

- (1) The Taiwan Depository and Clearing Corporation (hereinafter the “TDCC”) has established a fund information transmission platform to carry out the automatic transmission of information of domestic fund orders and transaction confirmation. The service will be extended to cover offshore fund transaction information transmission service. So there is already a working

platform and transmission mechanism between the TDCC and the master agent or sub-distributors, for the offshore information transmission service institution to providing transmission service from the offshore information transmission service institution to the offshore fund institution.

- (2) The master agent and sub-distributors such as trust enterprises currently transmit information of offshore fund transactions to the offshore fund institution by fax or SWIFT. If transmission is to be carried out through an information transmission service institution, for the domestic portion, it is preferred to use the above fund transaction information transmission platform of the TDCC, in order to avoid duplicate establishment of transmission platform.

11. In accordance with the FSC's 10 January 2012 Order No. Financial-Supervisory-Securities-Investment-1000061207 and Operating Rules attached to the directive issued by the FSC (No. 10000612073) of the same date, the master agent is required to fully understand the offshore fund offered and sold by such master agent (Know Your Product; KYP), effectively manage and audit the offering and sale of offshore funds by its sales channels and adopt them as part of its internal control system. In performing such activities, according to Paragraph 1, Article 16 of the Regulations Governing Offshore Funds, the master agent shall have sufficient and qualified associated persons and internal auditors. Are the KYP items to be reviewed under the Operation Rules clearly defined? In performing audit on the sales channels, when it deems necessary, the master agent may ask the sales channels to perform self-assessment. Can the self-assessment be preformed by issuing affidavits from the sales channels? What is the frequency of self-assessment? Are there specific standards and regulations about the "sufficient and qualified" persons for the master agent?

Answer:

(1) Offshore Fund KYP:

The Operating Rules published by the FSC on 10 January 2012 were principle based. The actual execution manners are subject to relevant rules and practices of each industry. The industry operator shall determine the relevant review items and the way to confirm the consistent execution of each item in accordance with their practical procedure in order to ensure effective implementation of KYP.

(2) Management of Sales Channel:

The FSC agrees that, “when it deems necessary”, the master agent may ask the sales channel to perform self-assessment in lieu of audit on the sales channels. The execution period of self-assessment shall be subject to the requirement about the frequency of audit on the sales channels under the master agent’s internal control system. At least once a year shall be performed. To prevent management of sales channels by the master agent only as a matter of formality without substance, self-assessment cannot be performed by issuance of affidavit only.

(3) The deployment of Product Analysts:

- a. The master agent shall deploy sufficient and qualified product analysts to perform product assessment review before launch and to continuously review activities of the fund operation and to conduct KYP educational training. Each master agent shall have at least one person that meets the qualifications of securities investment and trust fund manager defined under Article 5 of the Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises.
- b. If offshore fund represented by the master agent meets specific conditions, a person meeting the qualifications for securities investment and trust fund manager under Article 5 or the qualifications for department executive under Article 4-1 of the above-mentioned Regulations shall be designated to be responsible for the supervision and management of such offshore fund (for detailed information please refer to Section III(I)4, Attachment 1 to the directive issued by the FSC (No. 10000612073) dated 10 January 2012). Such product analyst shall not be the same person as the product analyst under paragraph a. above. The above-mentioned specific conditions and relevant number of persons required are as follows:

Annual Average Amount Held by Domestic Investors* Annual Average Investment % by Domestic Investors*	>NT\$10 Billion	<NT\$10 Billion ^{Note1} and >\$3 Billion
>50%	Number of Funds Meeting Condition x 2	Number of Funds Meeting Condition x 1
50%~30% ^{Note 2}	Number of Funds Meeting Condition Number of x 1	No mandatory requirement

* Annual average means the average of percentage of amount held by domestic investors / investment percentage by domestic investors at the end of each month.

Note1 : Means NT\$3 Billion (exclusive) to NT\$10 Billion (inclusive)

Note2 : Means 30% (exclusive) to 50% (inclusive)

- c. The product analyst shall only perform activities related to offshore fund master agency. Whether such product analyst concurrent performs other master agent activities in addition to the supervision of certain funds that meet above-mentioned specific conditions or specific items shall be determined by the operator in accordance with the requirements of its internal control system and tasks. Also, although the product analyst may carry out educational training for sales channels, such product analyst shall not be included in the calculation of the minimum number of channel services personnel.
- d. No securities investment and trust fund manager shall serve as the product analyst. Whether the working experience of the product analyst may be recognized as the experience of “performing securities transaction analysis or transaction decision activities” as qualifications for securities investment and trust fund manager defined under Article 5 of the above-mentioned Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises shall be determined based on the substance in accordance with the rules for management and filing of relevant staff by the Securities Investment Trust & Consulting Association.

(4) The deployment of Channel Service Personnel:

- a. The master agent shall deploy sufficient and qualified channel services

personnel in consideration of the amount of offshore funds represented by it that is held by domestic investors. Channel service personnel shall be associated persons to conduct fund selling business. Any person who performs both domestic and overseas fund selling business shall be calculated as half a person in the calculation of the minimum number of channel service personnel.

- b. Number of persons: Calculation shall be made based on the weighted average of the amount held by domestic investors for the past 3 years. A minimum number of persons are required in accordance with different levels.

Unit: NT\$ Billion

Weighted Average of Amount Held by Domestic Investors for Past 3 Years		Minimum Number of channel services personnel
<10 ^{Note1}		No new requirement *
Level 1 ^{Note 2}	10~ 50	Minimum 10 persons
Level 2 ^{Note 2}	50~100	15 persons
Level 3 ^{Note 2}	100~200	20 persons
Level 4 ^{Note 2}	200~300	25 persons
Level 5 ^{Note 2}	>300	30 persons

* In accordance with Paragraph 4, Article 16 of the Regulations Governing Offshore Funds, there shall be no less than three salespersons engaging in the business of offering and sale of offshore funds.

^{Note1} : Means below NT\$10 Billion (inclusive)

^{Note2} : Level 1 means NT\$10 Billion (exclusive) to NT\$50 Billion (inclusive), the same for the subsequent levels.

- c. To calculate the “Weighted Average of Amount Held by Domestic Investors for Past 3 Years” referred to in the above table, annual average amount shall be first be computed from the amount held by domestic investors at the end of each month during each year. Then weight should be giving at 50% for the previous year, 30% for the preceding year and 20% for the further preceding year. Considering that the master agent may be transferred, such calculation method is based on each individual offshore fund institution. The amount of offshore funds sold by each offshore fund institution in Taiwan and held by domestic investors during the past 3 years is calculated. Then the amount is accumulated based on the number of offshore fund institutions represented by

the current master agent. In case of the subsequent transfer of the master agent, additional channel service personnel may be required due to the application of a different level after takeover by the new master agent. Adjustment shall be made before the end of the current year at the latest.

(5) Applicable period of the deployment of personnel standard:

- a. **Product Analyst:** After publication of the FSC's 10 January 2012 Order No. Financial-Supervisory-Securities-Investment-1000061207, the master agent shall make adjustment before 9 April 2013 to comply with the above requirements, i.e., using 2011 data to calculate the minimum number of product analyst required. Starting February 2013, after the number of persons required is calculated in the beginning of each year based on the data of the previous year, in case of any new addition, the master agent shall make adjustment to comply with the requirements before the end of April of the current year. (For example, in February 2013, the number of product analyst required shall be calculated based on 2012 data and shall become applicable from 1 May 2013 – the master agent shall comply with the new requirements.)
- b. **Channel Service Personnel:** After publication of the above-mentioned order, the master agent shall make adjustment to comply with the requirements within 1 year of the buffer period (9 January 2013) – i.e., the minimum number of channel service personnel shall be calculated based on the 2009, 2010 and 2011 data in accordance with the above rules. Starting February 2013, after the persons required are calculated in the beginning of each year based on data of the previous 3 years, if the amount held by domestic investors is increased, due to the level to be upgraded, the new minimum number of persons required shall be complied with by the end of the current year at the latest.

12. Upon the transfer of the offshore fund master agent, if the currently approved offshore fund sub-distributors fails to meet the condition of net worth per share defined under Subparagraph 1, Paragraph 1, Article 19 of the Regulations Governing Offshore Funds, can it be reported and on record with the FSC to become an approved sub-distributors for the new master agent?

Answer:

- (1) The transfer of the offshore fund master agent involves a new relationship of rights and obligations between the new master agent and the existing sub-distributors. If the master agent re-appoints the fund sub-distributors to carry out offshore fund sales activities, such fund sub-distributors shall still meet the qualifications required under the Regulations Governing Offshore Funds.
- (2) Any financial institution with net worth lower than par value may not be able to sign the sales contract with the new master agent. In consideration of failure to make timely public announcement and give notice to investors who are under systematic investment plan may affect the investors' interests. Therefore the new master agent may file an application with the FSC to continue debit within a certain buffer period for domestic investors under a systematic investment plan sold by the existing fund sub-distributors.

13. If the offshore fund's place of registration has been recognized and publicly announced by the Republic of China, the requirement for at least one-year establishment or the restriction of a certain percentage imposed on derivatives trading appointed may be waived. How does a jurisdiction acquire such recognition and public announcement?

Answer:

A country recognized and publicly announced by the Republic of China must at least have signed an information exchange agreement with the Republic of China and must have measures for the protection of investors'

interests that the level of protection is not less than that in the Republic of China. Inclusion will occur only after careful consideration by the Republic of China.

14. How is the position of derivatives held by offshore funds calculated? What are the application procedures and review items for offshore fund derivative position exemption case-specific approval?

Answer:

- (1) According to Article 23, Paragraph 1, Item 1 and Paragraph 2 of the regulation, the derivative trading undertaken by an offshore fund are limited to **1)** 40% of the net asset value of a fund's unhedged position for purposes of increasing investment efficiency, or **2)** total market value of underlying securities for hedging need; Offshore funds that received special case approval from the FSC are exempted from restrictions on positions mentioned above.
- (2) To comply with international norms, the FSC has referred to the CESR/10-788 published on July 28, 2010 by the Committee of European Securities Regulators (CESR) and modified the method of calculating the position of derivatives held by offshore funds and the review procedures for special case approval for exemption of restrictions on derivatives positions. On June 28, 2013, the FSC Letter number 1020025745 to the Securities Investment Trust & Consulting Association asked the Association to forward the letter to its members. The master agent shall calculate the derivatives position or apply for a special case approval for exemption from the restriction on derivatives positions in accordance with the above mentioned regulations.
- (3) To lower the impact that derivatives held by offshore funds could exceed the limit and therefore render them ineligible for offering and sale domestically due to the modified method of calculation, the FSC has granted a six-month grace period since the release of the said letter for offshore funds offered and sold domestically that have received approval from the FSC or whose application has become effective. Those funds may calculate derivatives positions with the former method (in other words, the calculation method

defined in Part II, Question 14 of this Q&A before the revision in June 28, 2013). Funds that have applied for special case approval for exemption within the six-month grace period may continue to calculate derivatives position according to the original method of calculation, until the grant or deny of the application by the FSC. New applications for offshore funds offered and sold domestically shall follow the new rule since the publication date of the letter mentioned above.

15. For investment in offshore funds under a systematic investment plan, a systematic investment plan with variable payment, or computerized automatic transaction investment mechanism, how to handle the termination or suspension of domestic offering and sale of offshore funds?

Answer:

- (1) If any offshore fund approved by or filed with the FSC terminates or suspends its domestic offering and sale for any reason and if the investment was to be made under a systematic investment plan, investment may continue in accordance with the original contract, provided that neither the debit date nor the debit amount shall be increased.
- (2) If any offshore fund under a systematic investment plan with variable payment terminates or suspends its domestic offering and sale for any reason, the investment may continue in accordance with the original contract until full redemption, provided that the investors shall not increase the base debit amount.
- (3) If any offshore fund with investment under computerized automatic transaction investment mechanism terminates or suspends its domestic offering and sale for any reason, investment may continue in accordance with the original contract, provided that the investors shall not increase or change any agreed condition under the contract (i.e., the investor shall not increase or change any condition agreed under the contract, such as profit point, debit amount, debit date and frequency, etc.)

“Computerized automatic transaction investment mechanism” (which may

also be named “efficient investment method” or “compounded investment method”) means the fund is converted and subscribed based on pre-determined conditions such as date, amount, type of fund and profit point. The basic steps of this mechanism are as follows: (1) single investment in “original fund”; (2) select “target fund”; (3) configure date and amount level of conversion from original fund to target fund; (4) configure profit point of target fund.

16. Where the master agent of the offshore fund or its designated sub-distributors pays remuneration such as a service fee to fund of funds which are managed by securities investment trust enterprise for investment in any offshore fund represented by the master agent, or to an insurance enterprise that issues investment-linked insurance product which linked to the offshore fund represented by the master agent, does such remuneration payment violate Subparagraph 3, Paragraph 1, Article 50 of the Regulations Governing Offshore Funds?

Answer:

- (1) Under the condition mentioned above, neither a fund of funds nor an insurance enterprise that issues an investment-linked insurance product where the master agent of the offshore fund or its designated sub-distributors pays remuneration such as a service fee for investment in any offshore fund represented by the master agent is within the scope of “offering gifts or other benefits as an inducement to purchase offshore funds” prohibited under Subparagraph 3, Paragraph 1, Article 50 of the Regulations Governing Offshore Funds.
- (2) In accordance with the directive issued by the FSC (No. 0930102723) dated 3 March 2004 and the directive issued by the FSC (No. 100006148) dated 13 January 2012, the securities investment trust fund shall include the remuneration received into the fund asset.
- (3) Also, when an insurance enterprise that issues an investment-linked insurance product which linked to an offshore fund receives remuneration paid by the

master agent of any offshore fund or its designated sub-distributors, it shall provide continuous fund-related services to its insurance clients who hold those investment-linked insurance policies.

17. According to the order of Financial-Supervisory-Securities-Investment No. 10400393765 dated October 15, 2015 by the FSC, as the concrete contributions made to improve Taiwan's assets management business in conformity with the requirements of the FSC stated in Article 24, paragraph 1, sub-paragraph 4, what are the computation standards for domestic investors' investment amounts / the scale of management assets / amount of investment in Taiwan's SITE fund / the scale of investment advisory service provided by domestic industry? In addition, for the plans proposed and approved that have not yet met the standards on the expiry date, are a domestic offering and sale of offshore funds prohibited?

Answer:

- (1) The computation standards for the concrete contributions stated in the Financial-Supervisory-Securities-Investment No. 10400393765 Order of dated October 15, 2015 by the Financial Supervisory Commission are as follows:
 - a. For the offshore funds offered and sold in Taiwan by offshore fund management institutions, the average amount held by domestic investors each month in the previous year, and the establishment of personnel training and an industry development fund by the institutions designated by the FSC, an amount equivalent to 1/10,000 of the monthly average amount held by the investors in the previous year is appropriated annually for donation. The computation standards refer to the simple average amount of offshore fund held by the investors at the end of each month in the year prior to the offshore fund application date.
 - b. The scale of assets managed by the SITEs or SICEs in Taiwan or the scale of assets commissioned to domestic industry for management refer to the simple average of assets management scale at the end of each month in the year prior to the offshore fund application date.
 - c. The scale investment in fund issuance by SITEs refers to the simple average amount of investment at the end of each month in the year prior to

the offshore fund application date.

- d. The scale of the assets management with investment advisory services provided by domestic industry refers to the simple average of consulting assets scale at the end of each month in the year prior to the offshore fund application date.
- (2) If the offshore fund management institutions propose specific plans to the FSC in accordance with the Order in the preceding paragraph and with the approval of the FSC received in advance, in principle, it is to be implemented within one year. However, if a specific plan has been prepared, approved by the FSC, and implemented, but failed to meet the standards for good reasons on the expiry date, the FSC may approve for an extension depending on the implementation.

18. The FSC issued an interpretation on the Order of Financial-Supervisory-Securities-Investment No. 10400393765 dated October 15, 2015 for the term “Has made concrete contributions, in compliance with FSC regulations, that further Taiwan’s asset management business” in Subparagraph 4, Paragraph 1, Article 24 of the Regulations Governing Offshore Funds, in which, the offshore fund manager made the contribution in cooperation with an FSC-designated institution, has established a fund for personnel training and industry development, to which it allocates an annual contribution equal to 1/10,000 of the average monthly holdings of Taiwan investors during the preceding fiscal year, does the offshore fund manager have to allocate the contribution continuously every year? How does it apply to a new offshore fund manager? What are the procedures and schedule for allocation of contributions?

Answer:

- (1) For a contribution made by an offshore fund manager in cooperation with an FSC-designated institution, who has established a fund for personnel training and industry development, to which it allocates an annual contribution equal to 1/10,000 of the average monthly holdings of Taiwan investors during the preceding fiscal year, the application is described as follows:
- a. Considering that the text of Subparagraph 4, Paragraph 1, Article 24 of the Regulations Governing Offshore Funds will be promulgated on October 15, 2016, the offshore fund manager who has allocated a contribution in 2016, is stipulated to not be required to allocate the contribution in 2017.

- b. Since the offshore fund manager shall constantly meet the qualifications set out in Article 24 of the Regulations Governing Offshore Funds, even though it may not submit applications every year for the offering and sale of new offshore funds within the territory of the Republic of China, it shall still need to allocate the contribution every year.
- c. For a new offshore fund manager, there is no data on the amount held by domestic investors during the preceding fiscal year, thus it does not need to make a contribution.
- d. Additionally, the FSC has sent a letter to the Securities and Futures Institute(“SFI”) on May 3, 2015 to request relevant account information after opening the dedicated account for the personnel training and industry development fund and contact the Securities Investment Trust & Consulting Association of the R.O.C.(“SITCA”) for assistance in informing the master agent.

(2)Procedures and schedule for allocation of contributions are as follows:

- a. The SITCA will survey the contributions that the offshore fund managers intend to apply as set out in Subparagraph 4, Paragraph 1, Article 24 of the Regulations Governing Offshore Funds before the end of September 2016 and the end of February each year after 2018, and will provide the consolidated data related to the offshore fund managers who intend to apply the allocation of contributions and average monthly holdings (calculated in aggregate with enterprises under the same group) of domestic investors during the preceding fiscal year for the SFI.
- b. The offshore fund managers who choose to apply the allocation of contributions shall complete their allocation before October 15, 2016 and the end of March each year after 2018. The SFI will fully and accurately verify the correctness on the amount allocated to the contribution by each offshore fund manager based on the consolidated data provided by the SITCA.
- c. The SITCA will survey the contributions that new offshore fund managers in 2016 intend to apply before the end of February 2017, and will provide the consolidated data related to the offshore fund managers who intend to apply the allocation of contributions and average monthly holdings (calculated in aggregate with enterprises of the same group) of domestic investors during the preceding fiscal year for the FSI. Those offshore fund managers shall also complete their allocation before the end of March in 2017, and the SFI will verify the correctness on the amounts thereof allocated to the contributions.

II. Private Placement of Offshore Funds

1. Who are the counterparties of private placement of offshore funds?

Answer:

In accordance with Paragraph 2, Article 16 and Paragraphs 1 to 3, Article 11 of the Securities Investment Trust and Consulting Act and Paragraph 1, Article 52 of the Regulations, the following specific persons may be the targets of private placement of offshore funds:

- (1) Banks, bills finance enterprise, trust enterprises, insurance companies, securities enterprises, financial holding companies or other juristic persons or institutions approved by the FSC.
- (2) In accordance with the order by the FSC's 3 September 2010 Order No. Financial-Supervisory-Securities-Investment-0990042831, natural persons, juristic persons or funds meeting the conditions set by the competent authority mean the natural persons, juristic persons or funds meeting the following conditions and the total number of the placees may not exceed 35 persons:
 - a. Natural persons meeting the following conditions at the time of placement or assignment:
 - (a) Provision of proof of financial capability of NT\$30 Million or more, or, if the single fund investment exceeds NT\$3 Million and the total assets of the securities investment trust enterprise, operator of securities investment trust activity or designated institution of the beneficiary certificates of such private placement with full empowerment of designated investment and fund investment (including the investment in question) exceed NT\$15 Million, provision of a statement of financial capacity of NT\$30 Million or above.
 - (b) Possession of sufficient professional knowledge or transaction experience of financial products.
 - b. A juristic persons or fund with total assets in the latest CPA audited or certified financial statements of NT\$50 Million or more, or trust property

under trust contract signed in accordance with the Trust Enterprise Act of NT\$50 Million or more. However, for juristic persons outside the Republic of China, the financial statements do not need to be audited or certified by a CPA.

2. What is the timing of investigation for proof of financial capability by persons answering to the private placement of offshore funds by a designated institution?

Answer:

(1) After the investor meets the qualifications of placees by providing “proof of financial capability of NT\$30 Million or more” or “condition of single investment exceeding the equivalent of \$3 Million in foreign currency” in accordance with Subparagraph 1, Paragraph 1 of the FSC’s 3 September 2010 Order No. Financial-Supervisory-Securities-Investment-0990042831, it is not necessary to perform investigation on the proof of financial capability or provision of statement of financial capability for each subscription. However, at least one re-examination shall be performed each year by the designated institution for the private placement of offshore funds to examine whether the placees continue to meet the qualifications. The placees shall update relevant documents of proof of financial capability or re-issue relevant statements of financial capability in order to facilitate the re-examination.

(2) The designated institution for the private placement of offshore funds shall include the above-mentioned procedure of re-examination of qualifications of the placees into their internal control system and duly perform investigation.

3. If an offshore fund institution carries out domestic private placement of an offshore fund, do the qualifications of the offshore fund need to satisfy the qualifications under Articles 23 to 25 of the Regulations Governing Offshore Funds?

Answer:

Domestic private placement of an offshore fund by an offshore fund institution is not restricted by the qualifications under Articles 23 to 25. However, the provisions about “having the nature of a securities investment trust fund” under Subparagraph 6, Article 5 of the Securities Investment Trust and Consulting Act shall still be complied with. The scope of investment shall be consistent with the following:

- (1) “Having the nature of a securities investment trust fund” means the offshore fund must mainly invest in securities and shall not invest in gold, commodity, real estate and relevant derivative products.
- (2) The funds linked to a feeder fund shall have the nature of securities investment trust funds.

4. When an offshore fund institution carries out private placement to specified counterparties domestically, should a litigation agent and tax agent be appointed? Should the appointed litigation agent and tax agent have domiciles within the Republic of China?

Answer:

The Regulations Governing Offshore Funds expressly stipulate that a litigation agent and a tax agent must be appointed for the domestic private placement of offshore funds. This is necessary to protect the interests of domestic investors and for business and tax management purposes. Therefore, the litigation agent and tax agent appointed should have domiciles within the Republic of China.

5. If the places to the private placement of any offshore fund carried out before the publication of the amended Regulations on 3 September 2010 include those under Subparagraph 2, Paragraph 1, Article 52, an application shall be filed with the Securities Investment Trust & Consulting Association for review within six months from the publication of the amended Regulations. If the requirements are not satisfied, no new subscription shall be accepted. If the places to the private

placement already agreed at the time of original subscription that the investment will continue, can the investment continue in accordance with the contract?

Answer:

To protect investors' interests, new subscriptions by those failing to meet the requirements will not be accepted. The offshore fund institution and the designated institution shall inform the investors and assist the investors to apply for redemption in accordance with the investor's intention, or take other necessary measures to protect the investor's interest. However, due to the special nature of certain funds, if the placees already committed that investment will continue at the time of original subscription, then the investors can continue to invest based on the agreed amount and schedule, provided that the offshore fund institution or its designated institution shall inform the investors about the incompliance and acquire the investors' signatures for confirmation.

III. Plan to Encourage Stronger Business Ties in Taiwan for Offshore Funds

- 1. What is the purpose of this plan? Will there be different results due to the different operation modes, years in the market, or the scale of offshore funds?**

Answer:

This plan aims to encourage offshore fund institutions to increase commitment or enhance the functions of the master agents in Taiwan, as well as providing quality services and fund products to push forward the development of the asset management industry in Taiwan. The related measurements are divided into three dimensions and eight indicators. ~~Only Indicator 2.1 is based on the standard of asset scale of the top 1/3 of asset management companies in Taiwan and therefore there are no unfavorable conditions to the small and medium-sized companies.~~ In addition, the

preferential measures are only applicable to companies which meet the standards of all three dimensions; therefore, both existing and new companies will need to increase investment in order to gain the opportunity for recognition. Furthermore, in design, offshore fund institutions are divided into Group A and B based on whether they have set up business locations in Taiwan and offshore fund institutions without business locations in Taiwan are evaluated under different terms (most of them have smaller market share) in order to give them the opportunities to participate in the evaluation and gain eligibility for the preferential measures.

2. According to section III in the plan, which divides offshore fund institutions into Group A (without business locations in Taiwan) and Group B (with business locations in Taiwan), how do we determine whether an offshore fund institution has set up a business location in Taiwan?

Answer:

Offshore fund institution with business locations in Taiwan means it has set up securities investment trust enterprise (SITE), securities investment consulting enterprise (SICE), or securities firm in Taiwan which is registered as subsidiary, and the respective offshore fund institutions must directly or indirectly hold 50% or more of the shares of the subsidiary.

3. In the scenario that some of the offshore fund institutions belong to the same group, are they considered as one offshore fund institution? And can their operations be combined for calculation to get recognition?

Answer:

Offshore fund institutions may be evaluated under their affiliated Group. For example, SICE A is simultaneously the master agent for Investment Management Company X, Asset Management Company Y, and Asset Management Company Z and these companies belong to the same Group.

Under such setup, the affiliated Group can be forwarded as the main subject for evaluation, and if the Group meets the standards of the related evaluation indicators and is recognized by the FSC, all its offshore fund institutions will become eligible for the preferential measures. However, each preferential measure can be applied to a maximum of three offshore fund institutions that have offered and sold the offshore funds in Taiwan (the Group must decide which affiliated company to adopt the preferential measures).

4. The term “in the recent year” is found in section III-(II) and (III) of the plan; does it mean the calendar year?

Answer:

Yes. Offshore fund institutions may apply for recognition by the end of June each year. Data evaluated against the evaluation indicators should be the most recent data occurred in the past calendar year prior to the application date. For example, if the application is submitted by the end of June 2014, the submitted evaluation data should have occurred during the period from January 1st 2013 to December 31st 2013.

5. What is the benchmark referred in the term “the actual asset scale of the top 1/3 of companies in Taiwan operating in a similar nature ” for Group B, as stated in Evaluation Indicator 2.1 (III-(II))?

Answer:

The term “companies in Taiwan” specified in the evaluation indicators 2.1 for Group B refers to all SITE and the SICE providing discretionary investment services in Taiwan (including companies concurrently operate those business). However, companies which have been licensed but have not actually conducted substantial asset management operations are excluded from the ranking. The term “actual asset scale” includes public offering funds, private placement funds, discretionary investment assets, and assets under consulting services with power of investment decision. Companies with zero assets under its management are

excluded from ranking.

- 6. The criteria stated in section III-(II), Evaluation Indicator 2.1 for Group A mentioned “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”. Is this criterion applicable to Group B companies?**

Answer:

The applicable criteria for Group B as stated in Evaluation Indicator 2.1 involves the average asset management scale in the most recent year of the SICE and SITE set up in Taiwan by offshore fund institutions, which has included discretionary investment assets and assets under consulting services with power of investment decision.

If an Group B offshore fund institution intends to stress the contribution of engaging Taiwan business operators to invest their foreign capital on a discretionary basis or provide consulting services with power of investment decision, the company may list such performance in the section III (IV) “other substantial contributions to the development of the asset management industry in Taiwan” and forward it to the FSC for recognition. The standards of recognition shall be stipulated by FSC. However, discretionary assets and assets under consulting services with power of investment decision listed in this category may not be included for calculation in Evaluation Indicator 2.1. This is to prevent duplicated recognition. ~~In addition, the recognition standards applied for this category will be higher than the standards in Indicator 2.1 for Group A offshore fund institutions — “top 1/3 of the companies in ranking”.~~

- 7. Referring to section III-(II) Evaluation Indicator 2.1, is it possible to relax the criterion from the top 1/3 to the top 1/2 in the ranking for Group B? Is it possible to exclude the SITE and SICE which have never been engaged as master agents from the**

ranking?

Answer:

If the standard is relaxed from top 1/3 to 1/2, the threshold would be too low and the plan will have limited contribution to the objective of enhancing the development of the asset management industry in Taiwan. However, the FSC will make adjustments based on the results of implementation along the progress of this plan.

The subjects to this evaluation are offshore fund institutions, not the master agents. Therefore, the ranking is based on the overall scale of all companies operating in a similar nature.

- 8. Referring to section III-(II), Evaluation Indicator 2.1 for Group B, may the money market fund to be excluded from the comparing basis of that the offices established by offshore fund institutions in Taiwan ranking at top 1/3 in the scale of assets managed stipulated in evaluation indicator 2.1 of Perspective 2 of Measure III?**

Answer:

The Money Market Fund (MMF) is one of the most common funds in the international market therefore it would seem quite unreasonable to exclude such funds. Some companies may worry that the large scale of the MMF in Taiwan will affect the ranking; However, the comparing basis of that the offices established by offshore fund institutions in Taiwan ranking at top 1/3 in the scale of assets managed stipulated in evaluation indicator 2.1 for Group B also includes discretionary assets and consulting assets with investment discretion. Furthermore, the ranking includes all SITE and the SICE providing discretionary investment services, not just the 38 SITE in Taiwan. Therefore, the MMF will not be excluded.

9. Referring to section III-(II) Evaluation Indicator 2.2, what does “reaches a certain level” mean?

Answer:

The standard of recognition at the time of application in 2016 is as follows :
An offshore fund institution, which engages Taiwan SICE to provide general investment consulting services, with average assets of NT\$14 billion overseen by the consulting service in 2015.

The standard of recognition at the time of application in 2017 is as follows:
An offshore fund institution, which engages with SICE to provide general investment consulting services, with average assets of NT\$14 billion overseen by the consulting service in 2016.

The recognition standard for applications made in 2018 and 2019 is as follows: The average consulting asset scale of investment consulting services provided by domestic firms, which are entrusted with offshore funds of offshore fund institutions, reaches NT\$ 18 billion.

If the service commences after the beginning of the year, there has to be at least six months of actual data by the end of that year to calculate the average size of the asset overseen by the consulting service.

The standards will be adjusted accordingly based on the implementation results and standards will be announced every year.

10. Referring to section III-(II) Evaluation Indicator 2.3, if a master agent represents several offshore fund institutions, how will the scale of operating revenues be calculated?

Answer:

For the offshore fund institutions without business locations in Taiwan (Group A), calculation is based on a comparison between the operating revenue generated by this master agent deriving from its master agent business of the related offshore funds and the top 2/3 revenue of the SITE in Taiwan. If a master agent simultaneously represents multiple offshore fund

institutions, the aforementioned revenue will be calculated by the percentage of the sales volume of each offshore fund institution distributed in Taiwan.

11. Referring to section III-(III) Evaluation Indicator 3.2, are the mentioned asset management talent development programs or university and industry liaison plans to provide financial education/training offered by the master agents or offshore fund institutions, or by both? Is the self-held training included? What is the recognition standard for this indicator?

Answer:

It refers to programs or trainings offered by offshore fund institutions (inclusive but not limited to provide manpower or funds). The offshore fund institutions may also delegate the master agents or other organizations to conduct such programs or trainings. In addition, “asset management talent development program” does not refer to personnel training provided by offshore fund institutions for employees of the master agent as required by the relevant regulations. Subjects of the programs or trainings stated in Evaluation Indicator 3.2 are not limited to the master agent or specific operators.

This Measure aims to cultivate the training programs that are beneficial to the talent training of domestic asset management industry. The non-commercial international asset management forum held by offshore fund institutions in Taiwan may be recognized. However, the illustration seminars with commercial nature held by offshore fund institutions or master agents are not recognized. In addition, SITCA has investigated and organized the cooperation demand of all colleges, and the cooperation approach includes serving as lecturers, providing internships, providing part-time opportunities, sponsoring activities of financial clubs and providing scholarships. Offshore fund institutions may plan the cooperation with colleges in Taiwan based on this investigation and cultivate the mid-term to long-term talent trainings or cooperation programs.

In principle, this indicator classifies and recognizes offshore fund

institutions in accordance with the standard of domestic investors possession amount of the offshore funds offered and sold in Taiwan by offshore fund institutions. If 2/10000 of the average domestic investor possession amount per month in the previous year fails to reach NT\$ 1 million, the actual amount of this contribution after calculation shall reach minimum NT\$1 million. If 2/10000 of the average domestic investor possession amount per month in the previous year exceeds NT\$ 5 million, the actual amount of this contribution after calculation shall reach minimum NT\$5 million. Items that may be calculated in this contribution include the expenses for holding or sponsoring forums, expenses for inviting international professionals to lecture in Taiwan, salary of interns, training costs for cooperation with colleges, expenses for sponsoring activities of financial clubs, and scholarships.

The offshore fund institution may submit its talent development programs or university and industry liaison plan in advance. After the FSC's preliminary determination, the fund institution may execute the plan and then submit the original plan and the outcome of execution to request for recognition on the execution outcome.

12. How are “other substantial contributions” stated in section III (IV) applied? Will each contribution be treated separately and deemed achievement of multiple evaluation indicators?

Answer:

One recognized “other substantial contributions” may be treated as satisfy one evaluation indicator, i.e. if the company is qualified in three dimensions and satisfies four evaluation indicators, this recognized contribution can be treated as the fifth satisfied evaluation indicator, which gives the company a total of five indicators and the eligibility for two preferential measures. If the company is qualified in three dimensions and only satisfied three evaluation indicators, the recognized contribution can be treated as one extra satisfied evaluation indicator for the unqualified dimension and gives the company the eligibility for one preferential measure.

Depending on the nature of the “other substantial contributions” submitted in the application, several specific contributions of a different nature may be recognized for applicability to more than one evaluation indicator. For example, if the offshore fund institution incorporates a global or regional fund service institution in Taiwan, the measure may be seen as an “other substantial contribution”. The services provided by the fund service institution may include various asset management functions, such as marketing planning, investment research, trade execution, legal compliance and risk management, client service, fund accounting, and supporting functions (such as human resources, corporate service, internal audit and control, and others). Considering the difficulty and contribution of incorporating a global or regional center and depending on the condition of various services of the fund service institution incorporated by the offshore fund institution in Taiwan, we may see the fund institution as having achieved more than one evaluation indicator.

13. If an offshore fund institution plans a middle to long-term project in order to reach all indicators of Perspective 3 of this Measure, can this institution apply for recognition? In addition, if an offshore fund institution has significant contribution to the asset management business in Taiwan, can this institution continue to apply for recognition?

Answer:

If an offshore fund institution plans middle to long-term project for Perspective 3 of this Measure, such institution may apply to FSC attaching the content of the project and the estimated goal of the year. The institution may implement the project after initial approval and apply for recognition attaching the original plan and implementation result.

If an offshore fund institution has significant contribution to the asset management business in Taiwan, such as establishing global and regional fund service institutions that are recognized by FSC, and continues to provide related services, the offshore fund institution may continue to apply to FSC for recognition attaching solid contributions.

14. Will the qualified offshore fund institutions and their eligible

preferential measures be publically disclosed? Is such information about recognition or preferential measures allowed to be used as commercial or marketing materials?

Answer:

The recognition and their eligible preferential measures offered to the offshore fund institutions will be publically disclosed. However, the recognition and related preferential measures are given for their contributions to the development of the asset management industry in Taiwan, which are not related to the performance of its offshore funds. Therefore, it is not advisable to use information of such recognition and preferential measures granted by the FSC as commercial or marketing materials.

15. Referring to the preferential measures stated in section IV, is it possible to grant more than two items? Is it possible to combine “expedite review process for applications to launch offshore funds” and “relax the limit on permissible number of offshore funds per application to 3”? May “relax the limit on permissible number of offshore funds per application to 3” and “introducing new types of offshore funds” to be applicable simultaneously? Is “relax the limit on permissible number of offshore funds per application to 3” limited to the same offshore fund institution?

Answer:

At the current stage, application of the preferential measures remains up to two items. The FSC will review and make adjustments accordingly, based on the implementation results. The FSC has not set a restriction to disallow simultaneous selection of “expedite review process for applications to launch offshore funds” and “relax the limit on permissible number of offshore funds per application to 3”.

For offshore fund institutions that are applicable to 2 preferential measures and allowed select “relax the limit on permissible number of offshore funds per application to 3” and “introducing new types of offshore funds,”

these 2 preferential measures may not be combined and used. In addition, for offshore fund institutions applicable to “relax the limit on permissible number of offshore funds per application to 3,” the fund management institution of delivery agent for each application is limited to the same fund management institution.

16. Referring to the preferential measures listed in section IV, how will the relaxed preferential measures relating to product analysts and channel service personnel be applied?

Answer:

The preferential measures are valid for one year. The companies may decide to apply the preferential measures relating to product analysts and channel service personnel in the recognized year or the next year.

For example, when the minimum number of staff for the year is announced in February 2013 and the applicable level for the number of channel service personnel is raised, the company is required to meet the staffing standard by December 31st, 2013 according to the relevant regulation. However, if the offshore fund institution becomes eligible for the preferential measures on August 15th, 2013, the master agent can choose either not to staff up to the minimum requirement by December 31 2013, or apply the exemption in 2014 and don't have to meet the new staffing standard announced in February 2014.

17. How do we obtain the related benchmark data used for comparison in the evaluation indicators?

Answer:

Considering that some of the data is not open information, the FSC requests the SITCA to disclose the asset management scale of the companies ranking in the top 1/3 every month without disclosing the names. For example, if there is a total of 60 companies, the asset scale of companies ranked in the top 20 will be disclosed.

In addition, SITCA will calculate the following benchmark data and publish the results:

1. Evaluation Indicator 2.1 of Group B:

- (1) The average asset management amount of all SITE and the SICE providing discretionary investment services ranking in the top 1/3 in the recent year, including the assets in public offering funds, private placement funds, discretionary investment assets, and assets under consulting services with power of investment decision. (including companies concurrently operate those business however, companies with zero assets under its management are excluded from ranking).
- (2) The average growth rate of asset management scale of all SITE and the SICE providing discretionary investment services in the most recent year. The asset management scale includes the scale of public and private funds (excluding money market funds), discretionary assets, and consulting assets with investment discretion.

2. Evaluation Indicator 2.3: The median operating revenue from SITE in the recent year.

- (1) Group A: The amount of the operating revenues of SITE ranking at top 2/3 in the most recent year.
- (2) Group B: The median of the operating revenues of SITE in the most recent year.