

# Order of Financial Supervisory Commission

Date: January 4 2018

Ref. No.: Financial-Supervisory-Securities-Investment No. 1060048641

A. To advance domestic asset management talents and skills, scale up asset under management and move toward internationalization, the FSC adopts incentive plan for Securities Investment Trust Enterprises (SITEs) as follows:

I. The SITEs that meets the Basic Requirements laid out in II and satisfies the three Dimensions listed in III to V, which including “Investment Research Capability”, “International Presentence”, and “Talent Training”, may be eligible for the preferential measures listed in VII upon approval by the FSC.

II. **Basic Requirements:** satisfaction of all the following indicators is required:

(I) No material regulatory violation within three years prior to the date of application, provided that a SITEs going through a major changes in managerial control due to merger, acquisition or share transfer and gets recognized by the FSC is not subject to this indicator.

(II) The operating income for the most recent year was positive, and the CPA-audited or reviewed financial report for the most recent period shows the net worth of each share not lower than the par value.

(III) No material deficiency in the design or implementation of internal control system within three years prior to the date of application, provided that concrete improvement has been made a SITEs and recognized by the FSC is not subject to this indicator.

III. **Dimension One--Investment Research Capability:** including “Self-Investment Capacity” and “Assets under Management and its Growth” , and both have to be qualified.

(I) **Self-Investment Capacity**, which is subject to at least two of the following four indicators:

1. The number or the scale of publicly-offered or privately-placed securities investment trust funds (hereinafter referred to as “investment trust funds”) mandated, or appointed to an overseas consultant in the latest year does not exceed half the total number or total scale of publicly-offered or privately-placed investment trust funds that are limited to overseas investment. The actual ratio of funds mandated or appointed to overseas SICEs shall be reduced by at least 10% year after year until reaching 1/10 of the ratio. The

aforesaid public-offered or private-placed investment trust funds invested by cross-border investments do not include feeder funds, fund of funds mainly invested in the sub-funds of the same Group, and private funds with 70% or more invested in single fund.

2. The average rate of return in the latest year on at least three (3) types of managed investment trust funds is higher than the average rate of return for the latest year on corresponding types of funds in the overall SITEs.
3. The annual average of investment research team members (including the fund manager, investment manager, and other investment research personnel) in the latest three year is at least 25 persons, and the number of investment research team members and the number of funds (including the number of discretionary contracts) are both growing.
4. A rigorous procedure has been formulated with significant results for investment management, risk control, stock selection, and investment portfolio construction of investment trust funds or discretionary investment managers.

(II) **Assets under Management and its Growth**, which is subject to at least one of the following two indicators:

1. The asset size of the publicly-offered or privately-placed investment trust funds (exclusive of money market funds) and discretionary investment assets in the latest year ranked in the top one-third of assets under management of SITEs in Taiwan.
2. The asset size of the publicly-offered and privately-placed investment trust funds (exclusive of money market funds) and discretionary investment assets in the latest year was at least NT\$10 billion and the growth rate in the latest year positive, 5% or more than the average growth rate of the market scale.

IV. **Dimension Two-Global Presentence**, which is subject to at least one of the following five indicators:

- (I) The company has made investments in overseas equity to set up asset management companies or establish overseas subsidiaries, and actually expanded international businesses and the competent authority of respective host countries has imposed no severe penalty in the last three (3) years, or, the expansion of international business yielded substantial result at the assistance of the overseas locations of the parent group.
- (II) The company has actual sales results from public sales or private fund raising activities abroad (exclusive of OBU & OSU) in the most recent year with annual growth.
- (III) The average size of overseas assets under the discretionary management of SITEs or managed under the consulting services with decision latitude in the use of assets in the most recent year amounted to

NT\$5 billion, or, the overseas assets managed under the consulting services of SITEs amounted to NT\$18 billion or more in the most recent year with annual growth.

(IV) The average investment amount of foreign capital investments in the investment trust funds issued by SITE in the latest year reached at least NT\$4 billion.).

(V) Accept evaluation from professional consulting firms or has obtained international accreditation.

V. **Dimension Three--Talent Training**, which is subject to at least one of the following three indicators:

(I) Conducting asset management talent training or cooperating with colleges in Taiwan to provide financial educational training, internship, or training for reserved personnel, and the performance is outstanding.

(II) The result is distinguished in training and educating internal talents for business-related studies, exams, or participating in international forums or seminars that are related to their business.

(III) The success is significant in allocating considerable resources such as human resource to SITEs by the financial holding company, group parent company at home and abroad or its affiliated companies in order to assist the development of the asset management business.

VI. **Other substantial contributions** which enhance the business operation and development of 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.

VII. **Preferential Measures:** a SITE met Basic Requirements and satisfies three Dimensions may select one of preferential measures. Additionally with other substantial contributions mentioned in VI been accomplished, a SITE may select up to two preferential measures.

(I) Relax the maximum number of new investment trust funds per application, or shorten the period for effective registration to 12 business days in accordance with the proviso in the Subparagraph 2, Paragraph 3, Article 12 of “Regulations Governing the Public Offering of Securities Investment Trust Funds by Securities Investment Trust Enterprises”.

(II) Simplify the application procedures for special types of funds. If product design involves an amendment to applicable laws, the SITE concerned may petition the FSC for a deferral of the preferential treatment.

(III) Relax the investment ratios of investment trust funds without limitations of Paragraph 1, Article 10 of “Regulations Governing Securities Investment Trust Funds”.

(IV) Other preferential or convenient measures in compliance with the relevant laws and regulations.

VIII. SITEs qualified for conditions prescribed in Subparagraph II to VI may apply to the FSC with appropriate evidence for approval before the end of June each year, and together with proposed the applicable preferential measures listed in Subparagraph VII at the same time. The validity period of approval is one year.

B. This Order shall become effective immediately. FSC Order Financial-Supervisory-Securities-Investment No. 1050041389 dated October 26 2016 is now annulled.

Original to: Posted at the bulletin board of Financial Supervisory Commission, the bulletin board of Securities and Futures Bureau of the Financial Supervisory Commission.

Copies to: Legal Affairs Commission, Executive Yuan; Central Bank, Financial Supervisory Commission (Department of Legal Affairs, Department of Information Management), Financial Examination Bureau of FSC, Securities Investment Trust and Consulting Association of the Republic of China, Lex Data Information Inc.; Root International Information Co., Ltd.