

# **Q&A regarding Incentive Measures for Securities Investment Trust Enterprises (“Plan to Advance Excellence for SITEs”) **Revision Date: January 4 2018****

## **I. Purpose of the Plan**

### **1. What is the purpose of measures in this plan?**

Answer:

The Financial Supervisory Commission (FSC) adopts “Plan to Advance Excellence for SITEs (the Plan)” pursuant to the Order of Financial-Supervisory-Securities-Investment No. 1040018551 dated June 1, 2015, and the amendment was made with Jin-Guan-Cheng-Tou-Zi Order No. 1050041389 dated October 26, 2016 and **Order of Financial-Supervisory-Securities- Investment No. 1060048641 dated January 4 2018, respectively.** The Plan is an incentive measure aimed to advance domestic asset management talents and skills, scale up asset under management and move toward internationalization. The SITEs that meets “Basic Requirements” and makes significant contribution in terms of the **three** Dimensions, which including “Investment Research Capability”, “International Presentence”, and “Talent Training” may be eligible for the preferential measures upon approval by the FSC.

The nature of measures is for encouragement. The SITEs who does not apply or has applied but failed to meet the indicators in the plan may still conduct asset management businesses such as apply for approval or filing for effective registration of publicly-offered or privately-placed investment trust funds and discretionary investments based on existing regulations.

### **2. Is this plan only for large SITEs? How to apply for small- and medium-sized SITEs?**

Answer:

The plan lists 3 main dimensions with 14 indicators. Some indicators are qualitative, such as all 3 indicators regarding talent training in Dimension Three and the indicator (I)4 of Dimension One (A rigorous procedure has been formulated with significant results for investment management, risk control, stock selection, and investment portfolio construction of funds or

discretionary investment managers). The qualification of some indicators is not associated with the amount of assets under management. This includes, the indicator 1(1) of Dimension One focused on the proportion of the number of investment trust funds or the ratio of the scale self-managed by SITEs, and the qualification of the indicator (II)2 of Dimension One is the growth rate of assets rather than the ranking of the amount in scale. Therefore, small- and medium-sized SITEs may aim for performing as a “small and beautiful”. They may choose those indicators focusing on talents training, business quality and growth, and stand a chance to meet the Plan and enjoy preferential measures.

## **II. Basic Requirements**

### **1. Why the review period is different in the 3 indicators of “Basic Requirements”?**

Answer:

To satisfy “Basic Requirements”, a SITEs shall simultaneously meet all the following indicators: 1. 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. 2. 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. 3. 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.

On one hand, free and open policy, and support for innovation and development are the core principles of the FSC. On the other hand, the FSC thinks highly of the importance of risks and integrity. Combining the previous mentioned concepts, the FSC’s holds “Principle of Two Wings”. Therefore, the review period of no “material regulatory violation” or no “material deficiency of internal control system” is set for three years. Besides, though the financial soundness is the essence of the SITEs to properly operate, with comprehensive consideration of the basic threshold should not be too hard to achieve, the review period of financial conditions is set as one year.

**2. What is “Material regulatory violation” referred in the indicator (I)?**

Answer: “Material regulatory violation” means one of the following circumstances:

- A. The disposition of warning imposed on the SITEs in accordance with Subparagraph 1, Article 103 of “Securities Investment Trust and Consulting Act,” and its personnel committed the prescribed acts in violation of Article 13 to 15 of “Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises” or Article 19 to 19-1 of “Regulations Governing the Conduct of Discretionary Investment Business” resulting in the disposition of suspension of performance of business duties for one year or dismissal from duties imposed.
- B. The disposition of warning was imposed on the SITEs in accordance with Subparagraph 1, Article 103 of “Securities Investment Trust and Consulting Act,” and over three times the amount of fines was imposed on the SITEs in accordance with “Securities Investment Trust and Consulting Act.”
- C. The disposition of warning was imposed on the SITEs in accordance with Subparagraph 2 to 6, Article 103 of “Securities Investment Trust and Consulting Act.”

**3. How to identify “no material deficiency in the design or implementation of its internal control system” referred in the indicator (III)?**

Answer:

Material Deficient” means that there is material deficient in the design or implementation of internal control systems. As a result, the case of new fund application has been rejected or deny approved, or the offering and issuance of funds are restricted by the FSC with a written notice.

**III. Indicators of Dimension One to Three**

- 1. There are total four indicators of “(I) Self-Investment Capacity” in Dimension One “Investment Research Capability” (which is subject to at least two of the four indicators). How to calculate or identify for each indicator?**

Answer:

**Indicator (I)1 “The number or the scale of publicly offered funds and**

**private placement investment trust funds mandated or appointed to an overseas consultant in the most recent year does not exceed half the total number or the total scale of funds which invest in overseas markets. After the accomplishment in the first year, the actual ratio of the mandated or appointed overseas consulting shall be reduced by at least 10% than the previous year until 1/10 and shall stay at this ratio. The aforesaid publicly 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 a single fund”:**

- A. With regard to the calculation of the requested ratio, the numerator is the number or the scale of publicly-offered or privately-placed investment trust funds that delegate overseas investment functions to the entrusted management institution or authorize a SITE providing consulting services. The denominator is the number or the scale of publicly-offered or privately-placed investment trust funds deducted by the number of funds that are limited to domestic investment. For example, the SITE A has 8 overseas-investment funds by the end of 2015. Among which, one fund delegate overseas investment functions to the foreign asset management company, and three funds authorize companies providing consulting services. It may apply for approval with the qualification of the ratio  $\leq 1/2$  in 2016.
- B. In addition, since some funds have limited benefits to improving the self-investment research capacity of the SITE, the following types of funds are not included in the calculation basis “public or private funds invested by cross-border investments” of this indicator, which means the denominator shall exclude the following funds. However, if the following funds contain sub-brokerage or being entrusted to offshore consultants, such funds shall be included in the numerator:
- (1) Feeder funds;
  - (2) fund of funds mainly invested in the sub-funds of the same Group; or
  - (3) Private funds with 70% or more invested in single fund.

Continuing from the previous example: If 1 of the private placed funds within 8 cross-border investment funds of Firm A is invested in a offshore fund with the ratio of 80%, such private fund shall not be included in the denominator. The ratio will be changed from  $1/2$  (4 funds out of 8 funds) to  $4/7$  (4 funds out of 7 funds), which does not meet the ratio standard of  $\leq 1/2$ .

- C. To encourage SITEs to develop their own investment capacities, the qualifying ratio of the indicator is in stages in which the ratio will increase year by year once it has reached in the first year (SITE shall take the actual ratio that attain 1/2 standard ratio in the first year as basis with the decrease of at least 10% in each subsequent year ahead until meeting the actual ratio of 1/10, which will be the standard ratio for subsequent years that follow). Therefore, once the SITEs select the number or the scale of the funds as the calculation basis, the calculation basis is not allowed to be modified. For example, SITE B applied for approval with the qualification of the ratio  $\leq 1/2$  in 2016, and **the actual ratio is 0.4**. If no application for recognition has been made in 2017, and application is filed in 2018 for recognition, the ratio shall **at least be 0.324 (0.4\*90%\*90%)**.

**Indicator (I)2 “The average rate of return in the most recent year on at least three types of all investment trust funds under its management are higher than the average rate of return on corresponding types of investment trust funds in the overall SITEs:”**

- A. With regard to the calculation of the average rate of return in the latest year on managed investment trust funds by the SITE. By taking the equity fund in 2014 as an example, it will be the simple average of the total samples from the total cumulative returns for one year of the funds established for at least one year (Jan. 1, 2014 - Dec. 31, 2014) at all share classes. The rates of return of funds are subject to the performance data designated by the Securities Investment Trust and Consulting Association of the R.O.C.(SITCA).
- B. Fund types are based on the type codes of the SITCA and divided into AA1 Domestic Investment Equity Fund, AA2 Cross-border Investment Equity Fund, AB Balanced Fund, AC Fixed-income Fund, AD Money Market Fund, AE Fund of Funds, AF Principal Guaranteed Fund, AG REITs Fund, AH Exchange Traded Fund, and AI Index Fund.
- C. The average rate of return for the latest year on all types of funds in the overall SITEs will be calculated and published by the SITCA.

**Indicator (I)3 “The annual average of investment research team members (including fund manager, investment manager, and other investment research personnel) in the most recent 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:”**

- A. With regard to the calculation of the annual average of investment research team members, by taking examples in the year 2013-2015, it will be the simple average of numbers of persons in service for the fund manager, investment manager, and other investment research personnel by the end of 2013, 2014, and 2015.
- B. With regard to the qualification of 25 persons, it is referred to the number of investment research team members for each SITE by the end of 2011-2013 provided by the SITCA to calculate the annual average of investment research team member in three years for each SITE.
- C. “The number of investment research team members and the number of funds (including the number of discretionary contracts) is growing” refers to the number of people or funds (including the number contracts) by the end of 2015 is greater than the number of people or funds (including the number contracts) by the end of 2013.
- D. If it is not necessary for the SITEs also engaged in the business of futures trust to set up a separate research and analysis function, the analysts of the SITEs may also engage in the research and analysis of futures trust funds. Accordingly, the number of funds governed by this indicator shall include the futures trust funds issued by the SITEs.

**Indicator (I)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:”**

- A. This is a qualitative indicator. The SITE may apply to the FSC with appropriate evidence. The FSC will examine the relevant contents of internal control systems and operational procedures of the SITEs, and refer to the information about past actual implementation for review, including reviewing whether the establishment of portfolio is rigorous and whether the control measures for investment implementation and review and risk management are complete, as well as the audit result of financial inspection. Evaluation review items are as follows. Review items are only basic requirements, and FSC will evaluation the implementation based on individual cases:
  - (a) **Establishment of portfolio:**

1) The representativeness of the formation of members of equity selection meeting: Including the number of the members and the departments those members belong to.

2) Whether the terms of selection for targets held are rigorous:

I. Determination of targets held:

- i. Overall investment allocation: Whether the evaluation process in equity selection meeting for determining the targets to be held in accordance with different types of funds is based on the overall economics and the trend of industry, and whether the evaluation process is rigorous.
- ii. Selection of individual investment target: To determine targets to be held through the stipulation of rigorous quantitative indicators (comprehensive multiple quantitative indicators and analysis rather than negative listings) for the targeted equities in the asset pool, rigorous credit risk analysis for bonds, as well as the mechanism that research personnel or fund manager visiting firms in person.
- iii. Whether a rigorous control mechanism is stipulated for investments in equities paid attention to or disposed.
- iv. Whether a rigorous exceptional investment mechanism is stipulated for the investment targets that do not comply with the selection mechanism.

II. Elimination mechanism for the asset pool: Whether review mechanism on a regular or irregular basis is stipulated for individual equities in the asset pool, and whether the review frequency and mechanism is rigorous.

**(b) Investment implementation and review:**

- 1) Whether the control measures for the implementation of investment controlled by computer systems and whether the evaluation mechanism and frequency for investment performance is rigorous.
- 2) For the segmentation between the determination of investments and the implementation of transaction, whether the control measures are stipulated to prevent the fund or discretionary managers from affecting the implementation of transactions.

**(c) Risk management:**

- 1) Implementation of investment: Whether rigorous control measures, including the stipulated control policies and matters, are stipulated

(including the control mechanisms concerning the qualification, attention, disposition, reversing trade, liquidation, concentration, small cap/unpopular stocks)

2) Investment review: Whether the risk management mechanism and frequency for the overall fund, individual funds, and positions held by discretionary accounts is complete.

(d) **Result of financial inspection:** During financial inspection in the most recent year, the result shows that the firm does not violate provisions of Article 6 of “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets,” which is not subjected to the official reprimand or more serious disposition due to the deficiencies in the determination of investment and risk control stipulated in Article 4 of “Regulations Governing Securities Investment Trust Funds” and Article 28 of “Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises.”

B. Upon the initial approval for qualification for this indicator by the FSC, this indicator no longer needs to be reviewed annually unless the circumstances otherwise considered by the FSC to be necessary to conduct the review again. For example, significant changes in management, disposition due to deficiencies in design or implementation of the internal controls related to the four processes and etc.

**2. There are total two indicators of “(II) Assets under Management and its Growth” in Dimension One “Investment Research Capability” (which is subject to at least one of the two indicators). How to calculate or identify for each indicator?**

Answer:

**Indicator (II)1 “The AUM of publicly offered investment trust funds and private placement investment trust funds (exclusive of money market funds) and discretionary investment assets in the most recent year ranked in the top one-third of AUM of SITEs in Taiwan:”**

The asset size is the simple average of the total scale of publicly-offered and privately-placed investment trust funds (exclusive of money market funds), discretionary investment assets, and the assets under consulting services with power of investment decision (calculated on the basis of net asset value) at the



end of each month for the latest year.

**Indicator (II)2 “The AUM of the publicly offered investment trust funds and private placement investment trust funds (exclusive of money market funds) and discretionary investment assets in the most recent year was at least NT\$10 billion and the growth rate of AUM in the most recent year is positive, 5% or more than the average growth rate of the market scale:”** The asset size is the same as above (calculated on the basis of the net asset value). With regard to the calculation of the growth rate of the asset size in the latest year, the numerator is the asset size at the end of the period deducted the asset size at the beginning of the period, and the denominator is the asset size at the beginning of the period. Let’s take 2015 as for example: the asset scale by the end of the term is the average asset scale of 2015 and the asset scale in the beginning of the term is the average asset scale of 2014. Where the average growth rate of the market scale is -3%, the standard of the growth rate shall be 2% or more (-3%+5%).

- 3. There are total five indicators of Dimension Two “Global Presentence” (which is subject to at least one of the indicators).How to calculate or identify for each indicator?**

Answer:

**Indicator (I) “The SITE has made investments in overseas equity to set up asset management companies or establish overseas subsidiaries, and has actually expanded international businesses without major severe penalty imposed by the competent authority of the host countries in the last three (3) years, or, at the assistance of the overseas locations of the parent group with substantial result in overseas business expansion”** Not limited to direct investment by SITE only; therefore, this includes:

- A.** Overseas asset management companies invested by or overseas subsidiaries established by the SITE itself. In addition, these companies have not been subject to severe penalty of the competent authority of the host countries (in light of the variation in the penal code of the authorities in different host countries and the means of punishment imposed, severe penalty shall be defined on a case-by-case basis in consideration of the penal code applicable to relevant host countries).
- B.** Overseas asset management companies and other locations invested by its

owner group, and they have substantial effect on assisting the SITE to expand international businesses. For example, an offshore company of a Group that SITE A belongs to assists SITE A to acquire international discretionary investment tender, which has solid effect for SITE A to expand international business. This may apply for recognition.

**Indicator (II) “The SITE has actual sales results (from public sales or private placement activities abroad (exclusive of OBU & OSU) with substantial results and growth in the years ahead.”**

- A. The investment trust fund scale of activities conducted abroad for public sales or private placement of funds refers to the scale by the end of the latest year.
- B. This indicator is referred mainly to identify any actual sales result from activities conducted abroad for public sales or private placement of investment trust funds, no restrictions are placed on the necessity of SITES going abroad directly to conduct sales activities. Therefore, the sales activities abroad of investment trust funds may be conducted by its owner group or cooperated with foreign institutions.

**Indicator (III) “The average assets in the most recent year of foreign capital mandated to conduct discretionary investments or provide consultancy services with discretion reserved by SITE amounted to NT\$5 billion or the average asset-under-consulting in the most recent year of foreign capital engaged SITE to provide general investment consultancy services reached at least NT\$-18 billion with growth in the years ahead.**

- A. The average assets managed under consultation refer to the simple mean of the asset value managed under consultation at the end of each month in the most recent years. Refer to the “Plan to Advance Excellence for SITES” in the area of offshore fund institutions with service of domestic SICES on the management of their assets. The standard for the first year will be NT\$18 billion.

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

- A. The average investment amount in the latest year means the simple mean of

the investment amount at the end of each month.

- B. Since ETF is a TWSE and TPEX listed product, SITEs have difficulties in knowing the costs of offshore fund investments in ETF. Therefore, if the foreign capital are invested in the ETF offered domestically by SITEs, the investment amount of foreign capital invested in ETF may be calculated by “the average possession units of offshore investors x the annual average price of invested ETF.” The simple average of annual possession units and the annual average price of ETF is determined by the data by the end of each month in the most recent year.
- C. SITEs may select all or one investment trust fund invested by foreign capital with the amount reaching \$4 billion to apply for recognition.
- D. This indicator refers to foreign capital investments in the publicly-offered or privately-placed investment trust funds within the borders, OBU, and OSU, which is different from the indicator 2.2 (sales abroad of investment trust funds).

**Indicator (V) “Accept assessment from professional consulting firms:”:or acquire the accreditation at international standard**

- A. Taking international practices into consideration, the Due Diligence and evaluation by professional consulting firms for SITEs in Taiwan will help contest international businesses such as foreign funds operation and management or sales abroad of investment trust funds, so that this indicator has been set. The professional consulting firms include professional consulting firms that evaluate specifically for the asset management industry with public credibility; such as Towers Watson, Mercer, and so on.
- B. The qualification terms for entrusted institutions in government fund discretionary investment are taken as reference, including the assessment on the product investment performance and the requirement for the designated international certifications that shall be met. In order to encourage SITEs to meet the requirement of international certification, which is beneficial for them to expand the business in international fund discretionary investment, SITEs may apply for recognition with attachment of proofs if they acquire the international certifications that are beneficial to the promotion of

international business. The international certification refers to that meeting the requirements of Global Investment Performance Standards (GIPS) or AIMR Performance Presentation Standards (AIMR-PPS).

**4. There are total three indicators of Dimension Three “Talent Training” (which is subject to at least 1 indicator). How to identify each indicator?**

Answer: The three indicators of Dimension Three “Talent Training” are all qualitative indicators. The SITE shall apply to the FSC with appropriate evidence.

**Indicator (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” in the recent year:”**

- A. Unless conducting talent trainings in cooperation with the institutions designated by FSC, SITEs may also conduct talent training on their own or with other professional institutions. The aforementioned institutions appointed by the FSC are referred to “designated institutions for training and education of Securities Investment Trust and Consulting Professionals” which currently include the (1) Securities Investment Trust and Consulting Association of the R.O.C.,(SITCA) (2) Securities and Futures Institute, (3) Taipei Foundation of Finance, (4) Taiwan Academy of Banking and Finance, (5) Accounting Research and Development Foundation, and (6) Taiwan Insurance Institute.
- B. This indicator is refer to programs or trainings provided by SITEs (including but not limited to labors or money), and the training is for talents in the industry, so it does not include the training of internal personnel by SITEs. The non-commercial international asset management forum held in Taiwan by SITEs may be recognized. However, the description meetings with commercial nature will not be recognized. In addition, the cooperation between SITEs and colleges in Taiwan may include: serving as the lecturers, providing internships, providing part-time opportunities, sponsoring activities of financial clubs and providing scholarships. The cooperation shall be middle to long-term talent training or cooperation projects.
- C. The SITEs may submit in advance relevant talent development programs or university and industry liaison plan for review. Upon initial identification, the implementation is then conducted accordingly. Afterward, it may apply for this indicator with the original plan and implementation results for

approval.

**Indicator (II) “The result is distinguished in training and educating internal talents for business-related studies, exams, or participating in international forums or seminars:”**

- A. Although the internal talents referred in this indicator are not only for core asset management technical talents such as investment research; however, it should not focus on the effectiveness of cultivation of sales personnel only.
- B. The purpose of this indicator is to encourage SITEs to train their internal talents, and the training methods are not limited. The trainings provided by SITEs to their internal talents to acquire the professional certification of securities investment analyst or futures analyst or international investment certification like CFA or CIIA may be regarded as one of the performance of training internal talents.
- C. In principle, the talent training expenses in this indicator shall meet the standard of 1.5% of the net profit after tax of the SITEs. If such amount does reach \$1 million, the training expenses shall be at least \$1 million; if such amount exceeds \$3 million, the training expenses shall be at least \$3 million. However, the expenses for the educational trainings to comply with the credit hour provisions as well as the visit and travelling expenses required for performing business shall be deducted. In addition, the subsidies and rewards provided by SITEs to encourage employee to acquire professional certifications related to their businesses may be included.

**Indicator (III) “The result is significant in allocating considerable resources such as human resource to the SITE by its financial holding company, group parent company at home or abroad or its affiliated companies in order to assist the development of the asset management business of the SITE:”**

- A. For encouraging financial holdings and other groups to provide human and other resources to support expansion investment trust businesses, this indicator has been thus set.
- B. After the first recognition by FSC, when firms apply for recognition afterwards, FSC will inspect the condition of the continuing human resources distribution, the circumstances of the human resources application distributed in the past, as well as whether financial holdings, parent company of the domestic or offshore group or the affiliates assist SITEs in the training

of asset management talents, and comprehensively evaluation the effect.

**5. How “Other substantial contributions which enhance the business operation and development of asset management industry in Taiwan” is applicable?**

Answer:

- A. If any substantial contributions to specific performances on enhancement of asset management and development in Taiwan, the SITE may apply to the FSC with appropriate evidence. For example, the financial holding company, group parent company at home and abroad or its affiliated companies appoint their investment capitals to discretionary investments conducted by domestic SITEs, or the SITEs innovate and research & development funds.
- B. If SITEs develop low-expense fund products that meet the demand of aging society and are suitable for the property management for retired people, as well as promoting post-retirement property management education, which have outstanding performances, such efforts may be regarded as “other substantial contributions which enhance the business operation and development of asset management industry in Taiwan.” The aforementioned fund products include but not limited to target risk funds and target date funds, and there shall be sufficient number and scale of the funds for investors to choose from.
- C. In consideration of serious attention of the international community to the topic of sustainable development and green finance as a vital business opportunity, it is expected that the financial sector should support the development of the green industry. SITEs that have issued green funds (including ETF) that invested in domestic green industry with significant contribution in performance shall be taken as “items with significant contribution to the operation and development of the domestic asset management business). The aforementioned green funds shall refer to the funds that invest domestically and designed for withstanding global warming, climate change, substitute or clean energy, pollution control, purification or management of water resources and others related to green energy or ecological environment protection. An example is the investment in the funds for photovoltaic or wind power energy in Taiwan.
- D. While the SITE works with fund distributors in launching promotional events,

the “Asset under Management (AUM)” will be the basis for the calculation for sale bonus with significant result and could be taken as “items with significant contribution to the operation and development of the domestic asset management business”. The standard for determination will be:

1. The sum of the fund size that sold by the distributors whose sale bonus disbursed by the SITE based on AUM or with no sale bonus in the most recent year shall at least be 70% of the average fund size of the most recent year. The aforementioned fund size of the most recent year shall be the average asset inventory of the fund distributors at the end of each month of the calendar year from the day prior to the application day.
  2. In entering into sale agreement between the SITE and the fund distributors on the basis of the fund size in the calculation of sale bonus, the parties hereto shall complete the signing of the agreement by June 30 of the year prior to the day of application, and shall calculate all the sale bonus pertaining to the promotional events as the foundation for calculation from the day on which the agreement was signed without any shelving fee, project subsidy and others not on the basis of fund size for disbursement of sale bonus. The average fund size sold by the fund distributors may be included as the aforementioned 70% in calculation under this condition. If the fund size was not considered as the basis for the calculation of sale bonus in subsequent years, the average fund size sold by the fund distributors will not be included as the aforementioned 70% in the calculation.
- E. As an incentive for SITE to raise the salaries for the core personnel in asset management so as to keep people in good standing, SITEs that have significantly raised the salaries for the core asset management professionals in investment research, product design, risk control of investment transactions that helps to keep talents could be deemed “items with significant contribution to the operation and development of the domestic asset management business.”
- F. Upon recognition of each contribution to specific performance by the FSC, any one indicator on evaluation in the aforementioned dimensions can be regarded as qualified.

## IV. Preferential Measures

### 1. What are specific contents of each preferential measures?

Answer: SITEs meeting the “fundamental necessary condition” and are in compliance with three Dimensions may choose one preferential measure. If other aspects defined as “items with significant contribution to the operation and development of the domestic asset management business” have additionally been accomplished, it may choose up to two preferential measures. If the aforementioned other aspect has been recognized for passing the assessment indicators of three Dimensions that made the indicators of corresponding dimensions passed in the assessment, these items of other aspects cannot be used for requesting additional preferential measure (for example, Dimension One and Dimension Two of the SITE A passed, and the significant contribution of other aspects has been recognized to be deemed the passing of one (1) assessment indicator in Dimension Three, then only one (1) choice of preferential measure could be chosen by the SITE A). The validity period of preferential measures is one year.

#### **A. Relax the maximum number of new 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”:**

The SITEs applying for this preferential measure shall select either “relax the maximum number of new investment trust funds per application” or “shorten the period for effective registration,” and cannot select both. If the former is selected, the maximum number of new investment trust funds per application may be relaxed to 3 without being offered and established simultaneously and no restrictions to the same type of fund. If the latter is selected, the period for effective registration of investment trust funds that are not limited to domestic investments can be shorten from 30 to 12 business days elapsed counting inclusively from the date upon which the FSC receives the filing 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”.



**B. Simplify the application procedures for special types of funds. If the design of products involved the amendment to applicable laws, applicable for the deferred use of preferential measure is permitted:**

According to Paragraph 1, Article 12 of “Regulations Governing the Public Offering of Securities Investment Trust Funds by Securities Investment Trust Enterprises”, in the case of a public offering of a securities investment trust fund set out in Article 23, Subparagraph 9 of the “Regulations Governing Securities Investment Trust Funds” (other type of funds), it should be applied to the FSC for approval. The review time may be shortened by the FSC for the case of such public offering of a securities investment trust fund when the SITE selecting this preferential measure. **In light of the involvement of an amendment to applicable laws in the development of new products that related preferential measure could not be enjoyed within the validity period of one (1) year, the SITE concerned may apply for the deferred use of preferential measure for this reason.**

**C. Relax relevant investment ratios of SITE utilization of fund assets, without limitations of Paragraph 1, Article 10 of “Regulations Governing Securities Investment Trust Funds”:**

The investment trust funds of SITE selecting this preferential measure applies (or registers) to publicly offer to the FSC within the validity period of preferential measures may not restricted to the relevant investment ratio prescribed in Article 10 of “Regulations Governing Securities Investment Trust Funds.” For example, the upper limit of the ratio for the bond funds and balanced funds investing in high-yield bonds. The SITE shall set up a reasonable upper limit of the ratio based on the core investment targets for individual funds and investment policies and strategies. The FSC will review the proposed specific content for approval.

**D. Other preferential or convenient measures in compliance with the relevant laws and regulations:** In compliance with relevant laws and regulations of the securities investment trust industry, the SITE may propose its own measures on deregulation or simplification of procedures desired to be implemented. The FSC will review the proposed specific content for approval. **(For example, condensation of the review procedure for offering of investment trust funds under the application for approval system)**

**2. Whether the qualified SITEs and their eligible preferential measures will be published? Is such information about recognition or preferential measures allowed to be cited for advertising or marketing purposes?**

Answer:

- A. At the time when the SITE is recognized, the FSC will publish the recognized SITE and its applicable preferential measure.
- B. The recognition is based on the dimensions of investment research capability, global allocation and talent training for an SITE qualified for the plan, and is not directly associated with the performance of individual investment trust funds. The recognition of the FSC and the permitted preferential measure cannot be cited for advertising or marketing purposes.

## **V. Other Principles and Instructions**

**1. Does “the most recent year” or “the most recent three years” referred in each indicator of the mean of Dimension One to Three in the calendar year?**

Answer:

Yes. SITEs may apply to the FSC for approval before the end of June each year. The data adopted by relevant indicators in the latest year that is one calendar year before the application date. For example, to apply before the end of June, 2016, the period for data evaluated is from January 1, 2015 to December 31, 2015. For the latest three years, the period for data evaluated three calendar years before the application date.

**2. How to obtain the related benchmark data for comparison in the indicators?**

Answer: The following data for comparison will be calculated and published by the SITCA.

**A. Indicator (I)2 of Dimension One:** The average rate of return for the latest year on all types of investment trust funds in the overall SITEs.

**B. Indicator (II)1 of Dimension One:** The average amount of the asset

management ranked in the top one-third of SITEs in the latest year, including the total of the size of publicly-offered and privately-placed investment trust funds (exclusive of money market funds), discretionary investment assets, and the assets under consulting services with power of investment decision **(calculated on the basis of net asset value)** at the end of each month for the latest year. The FSC requests the SITCA to disclose the asset management scale of the SITE ranking in the top one-third every month without disclosing the name. By taking examples of 37 SITEs, the amount of the asset management ranked 12th will be disclosed.

**C. Indicator II(2) in Dimension One:** The average growth rate of market scale **(calculated on the basis of net asset value)** in the most recent year.