

**Self-Regulatory Rules for Offshore Banking Units Accepting Account Opening by Offshore Customers and Investing in Trust Products On Behalf of Offshore Customers**

Authorized by the 13<sup>th</sup> joint meeting of the eleventh board of directors and supervisors on 27 Nov 2014; FSC approval document no. Jin-Guan-Yin-Wai-10300356030 issued on 10 Feb 2015 for future references.

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<b>Article</b>	<b>Provision</b>
<b>Article 1</b>	<p><b>(REASONS)</b></p> <p>The Bankers Association of the Republic of China has enacted the Self-Discipline Rules to ensure that OBU sets its rules and practices according to the relevant laws and ordinances and is consistent in the standards of accepting account opening or conducting trust business for offshore customers.</p> <p>The “offshore customers” addressed in the Self-Discipline Rules refers to the natural persons or juristic persons outside the territory of the Republic of China according to Article 11 of the <b>【Offshore Banking Act Enforcement Rules】</b> but not the professional institutional investors prescribed in Article 3 of the <b>【Regulations Governing Offshore Structured Products】</b> .</p>
<b>Article 2</b>	<p><b>(CDD and Money Laundering Prevention)</b></p> <p>OBU shall set and implement the procedures of Know Your Customer, strengthen the control of money laundering prevention and conform with the relevant laws and regulations on money laundering prevention.</p> <p>Prior to the establishment of business relationship with customer, measures on identifying the customer, ongoing review of the customer’s identity and ongoing monitoring on the accounts or transactions shall be performed to ensure that the transactions undertaken are consistent with the customer and its business and risks; and, where necessary, its source of funds shall be learned.</p> <p>Risk-based approach shall be adopted to determine the implementation intensity when conducting the measures on confirming the customer’s identity, ongoing review mechanism and monitoring. For the high-risk situations, enhanced due diligence or ongoing review measures shall be conducted.</p>
<b>Article 3</b>	<p><b>The method of verifying the customer’s identity by documents</b></p> <p>OBU shall identify and verify the customer's identity by reliable and independent sourced documents, and keep a copy of the supporting documents.</p> <p>The documents, data or information obtained during the identity verification process can be verified by any one of the following methods :</p> <ol style="list-style-type: none"> <li>1. Compare the documents requested for submission. For example, issuer of the Certificate of Incumbency (COI) shall be the same as the registered agent of the Articles of Association; check whether the juristic person's place of registration, company ID, company name, registered agent, directors, shareholders and capital amount are consistent with other supporting documents. If it is inconsistent, proof or trace of change shall be provided.</li> <li>2. Inquiries via the official website (please refer to the list of websites of the State (country) / territory of registry) of the registry at the juristic person’s place of registration provided by the customer or by OBU. If the inquiry cannot be processed through the aforementioned methods, it can seek for helps from the ROC Embassies and Missions Abroad, embassy of the State (country) / territory of registry in ROC, or overseas branch of the bank.</li> <li>3. Certain and appropriate steps shall be taken if there is any doubt about the documents obtained, or ask the customer to provide other supporting documents to verify the customer’s identity. If the doubt persists, the documents shall not be accepted.</li> </ol>

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	If the documents are written in a foreign language other than English, it shall be confirmed by bank staff who is proficient in such foreign language, or ask the customer to provide a translation of the documents. OBU shall take appropriate steps to be reasonably satisfied that the documents in fact provide evidence of the customer's identity.
<b>Article 4</b>	<p><b>Cause of suspension or termination of the business relationship</b></p> <p>OBU shall stipulate in the relevant business contracts or applications that the bank may temporarily stop the transaction(s) or suspend or terminate the business relationship with the customer who failed to cooperate in the Customer Due Diligence, refuse to provide information about the ultimate beneficial owner or the person exercising controlling power over the customer, or be unwilling to provide explanations for the nature and purpose of the transaction or the source of funds. Account Closure shall be processed in accordance with the internal operating procedures set by the bank.</p>
<b>Article 5</b>	<p><b>The principle of the continuation of the offshore company's juridical personality</b></p> <p>If the validity of an offshore juristic person customer's juridical personality is affected due to changes of the laws and regulations in the State (country) of registry or its place of registration, the principle of handling the case is to close the account, provided that if OBU decided, based on risk-based consideration and assessment, to continue the business relationship with the offshore juristic person by accepting the relocated place of registration as the continuation of the same juridical personality, OBU shall proceed in accordance with the internal operating procedures.</p>
<b>Article 6</b>	<p><b>Internal control system and employees' code of conduct</b></p> <p>OBU shall set a concrete and practicable system of internal control upon the establishment of business relationship with the customer, which shall cover the following contents:</p> <ol style="list-style-type: none"> <li>1. It is forbidden to refer domestic customers to the agency company, or induce or assist domestic customers in switching to non-resident status for the purpose of opening an OBU account.</li> <li>2. Strengthen the understanding of the customer's objective in opening the account, the account usage and the expected trading activities; implement OBU's customer-related internal processes and procedures.</li> <li>3. If a domestic natural person or juristic person is involved as the offshore juristic person customer's shareholder, director or ultimate beneficial owner, a statement shall be obtained from the customer stating that he or she was not induced or converted into a non-resident identity for the purpose of investment in a particular commodity, and the staff reviewing the account opening or its supervisor shall inquire the customer as to whether he or she was induced by any member of the bank to change the status of resident or was referred to any agency company, and keep the record of the inquiry.</li> <li>4. The following principles shall be considered for the OBU employees' code of conduct: <ol style="list-style-type: none"> <li>1) Law-abiding principle: To understand and comply with the relevant laws and ordinances, for example: it is forbidden to assist agency company in handling the registration of the customer's offshore company, and it is forbidden to guide or refer customers to the agency company through the means of holding joint seminar or briefing session with professionals.</li> <li>2) Principle of confidentiality: Customer's basic information shall be kept properly; the customer's information shall not be disclosed to the agency company.</li> <li>3) Principle of self-discipline: It is prohibited to directly or indirectly request, offer or accept money, property or other interests from the agency to company as a compensation for the referring of customers.</li> </ol> </li> </ol>
<b>Article 7</b>	<p><b>Suitability rules [ 1 ] customer risk-level classification</b></p> <p>Before conducting trust business for the customer, the offshore banking branch shall conduct due diligence on the customer's identity, financial background, source of funds, risk preferences, past investment experiences and purpose and demand of the investment in order to establish the customer investment suitability assessment mechanism. The initial investment suitability assessment shall be completed before the customer makes the investment. And a periodic assessment mechanism shall be in place.</p>
<b>Article 8</b>	<p><b>Suitability rules [ 2 ] product risk-level classification</b></p> <p>The offshore banking branch shall consider the characteristics of the products, the degree of preservation, the</p>

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	complexity of the product design, the market risk in the investment area and the duration of the products in setting the risk-level classification for the suitability rules of trust products, in order to achieve comprehensive assessment and confirm the risk level.
<b>Article 9</b>	<p><b>The type and range of product available to the customers</b></p> <p>The offshore banking branch shall decide the types and range of trust products to be offered to the customer based on results of the customer’s investment suitability analysis.</p>
<b>Article 10</b>	<p><b>Review mechanism for product listing</b></p> <p>The offshore banking branch shall keep a record of product due diligence on the trust product before listing. Its set review mechanism shall take the following matters into consideration :</p> <ol style="list-style-type: none"> <li>1. Cost of goods, expenditures and rationality</li> <li>2. Investment strategy, risk return and rationality of the product</li> <li>3. The accuracy of the contents of the product manual and the full disclosure of information</li> <li>4. Assessment on conflicts of interest</li> <li>5. Past performance, reputation, and financial soundness of the product issuer or guarantee agency</li> </ol>
<b>Article 11</b>	<p><b>Risk disclosure mechanism</b></p> <p>The offshore banking branch shall fully disclose and inform the customer about the return of the trust, collecting method of various fees and charges, the potential risks involved and other relevant information when conducting trust business; the investment risk of which shall include the maximum possible losses.</p> <p>The information listed in the preceding paragraph, which should be fully disclosed to the customers, shall be kept for future references.</p>
<b>Article 12</b>	<p><b>Risk disclosure for conducting investment on trust products [ 1 ] that have not been subject to the relevant review procedures of the competent authorities of ROC</b></p> <p>The offshore banking branch shall properly disclose, and with full explanation, the following items to the customer in the product manual or sales document when conducting investment on trust products that have not been subject to the relevant CDD procedures of the competent authorities of ROC :</p> <ol style="list-style-type: none"> <li>1. That, the financial product provided have not been reviewed or approved by the competent authorities of ROC and is not be applicable to the provisions of the inspection or declaration in force;</li> <li>2. The financial products provided are only available to the customers outside the territory of the Republic of China at the offshore banking branch of the bank;</li> <li>3. The mechanism of handling financial consumption dispute stipulated in the “Financial Consumer Protection Act” is not applicable to customers of the offshore banking branch of the bank.</li> </ol> <p>The offshore banking branch shall, in the trust deed or before accepting the customer's initial investment on trust products that have not been subject to the relevant review procedures of the competent authorities of ROC, ensure that the customer understand that the product description documents can only be in Chinese or English when investing in products that have not been subject to the relevant review procedures of the competent authorities of ROC.</p>
<b>Article 13</b>	<p><b>Commodity sales contract for conducting investment on trust products[ 2 ]that have not been subject to the relevant review procedures of the competent authorities of ROC</b></p> <p>If the offshore banking branch is entrusted to invest in offshore funds or offshore structured products which are trust products that have not been subject to the relevant review procedures of the competent authorities of ROC, its head office (headquarter) or its authorized entities shall enter into written agreement on the rights and obligations prior to conducting the trust business.</p> <p>The aforementioned commodity suppliers refer to the offshore fund institutions (or their distributors), commodity issuers (or their distributors), or commodity guarantee agencies.</p> <p>If the offshore banking branch is under the same legal entity as the offshore fund institution(s) or the</p>

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	commodity issuer(s), it is not subject to the restriction stipulated in the first provision of this Clause.
<b>Article 14</b>	<p><b>Marketing activities control</b></p> <p>The promotion, advertising, business solicitation and business promotion activities engaged by the offshore banking branch shall not involve the promotion of trust products to the domestic customers, except when the representative of the offshore juristic person or the assigned domestic agent is a ROC citizen.</p> <p>Unless otherwise stipulated in the law, the advertising and marketing documents provided by the offshore banking branch when conducting promotion, advertisement, business solicitation and business promotion activities shall first be reviewed and approved by the supervisor to ensure proper content without false statement to mislead consumers or violate related laws and regulations.</p>
<b>Article 15</b>	<p><b>Customer complaint processing mechanism</b></p> <p>In addition to providing full explanation to the customer regarding the non-applicable norms of the Financial Consumer Protection Act and the mechanism of handling financial consumption dispute, the offshore banking branch shall provide the customer with dispute resolution procedures and appeal channels. The relevant information shall be recorded in the trust deed or disclosed on the website.</p>
<b>Article 16</b>	<p><b>Implementation</b></p> <p>This Self-Discipline Rules and any subsequent amendment thereof shall be negotiated with the Trust Association of R.O.C., authorized by the National Federation Council Meeting of the Bankers Association of the Republic of China and reported to the competent authority for recordation before implementation.</p>