

FAQ for the "Guidelines for Data Sharing between Financial Institutions"

I. Are financial institutions required to file applications to the Financial Supervisory Commission(FSC) for sharing data in accordance with the Guidelines?

Answer:

(I) Principles:

1. The FSC focuses on the internal control system of financial institutions and their implementation. Therefore, financial institutions must share data in accordance with their internal control regulations and an application to the FSC for approval is not a necessary criterion. Prior to the implementation of the Guidelines, financial institutions have accumulated substantial experience and capacity in data sharing. Most current cases of data sharing between financial institutions, such as cross-selling or cooperative promotions, do not require applications for approval.
2. As the securities and futures companies had less regulatory basis and implementation in customer data sharing with other

financial institutions in the past, if a securities firm or futures commission merchant intends to conduct data sharing between Type III financial institutions, the first case requires approval by the FSC.

3. The FSC shall also gradually review or simplify procedures for those that currently require applications for approval and may change the necessary criterion for data sharing to require the full implementation of an internal control system instead of obtaining application.

(II) Application procedures for securities and futures companies:

1. Prior to the implementation of the Guidelines, securities and futures companies had less regulatory basis and implementation in customer data sharing with other financial institutions, except for relevant regulations such as "Regulations Governing Cross-selling Among Subsidiaries of Financial Holding Company", "Regulations on the Joint Promotion of Products of Other Industries or Supply of Related Services by Banks, Securities Firms, and Insurance Companies", and "Regulations Governing Internal Audit and

Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission". To understand the impact on business development and changes caused by the implementation of customer data sharing between securities and futures companies and other financial institutions and to protect the rights of investors, the FSC published an order that specifies the scope and procedures for securities and futures companies to file applications to the FSC (Securities and Futures Bureau) for data sharing.

2. If the securities and futures companies conduct data sharing with Type III financial institutions specified in the Guidelines (including cases where one or both parties of the data sharing are securities and futures companies), they must file an application to the FSC (Securities and Futures Bureau) for the first case. After the first case has been approved, if other securities and futures companies intend to conduct similar data sharing that does not exceed the data sharing model

approved by the FSC, the securities and futures companies shall register the data sharing with their respective trade associations for future reference. If a securities firm or futures commission merchant intend to conduct data sharing that exceed the data sharing model approved by the FSC, the case shall be deemed as a first case and the it shall be required to apply for approval from the FSC in accordance with the procedures.

3. The FSC encourages securities and futures companies to make reasonable use of customer data to enhance customer rights and interests and to strengthen the internal control and risk management of securities and futures companies. The FSC shall, where necessary, review related application procedures based on the implementation of data sharing and the maturity of data usage.

II. If financial institutions have already shared data in accordance with other regulations and the Personal Data Protection Act, to ensure that customer rights and interests are not affected and services already provided by

financial institutions are not interrupted, can the financial institutions continue the data sharing after the implementation of the Guidelines and complete related internal control regulations for approval by the board of directors within a specified time?

Answer:

If financial institutions have already shared data in accordance with other regulations and the Personal Data Protection Act, they may continue the data sharing and complete related internal control regulations for approval by the board of directors within 6 months to establish a comprehensive internal control system in accordance with Article 3 of the Guidelines. After establishing the internal control system, they may conduct new individual data sharing cases in accordance with the Guidelines, the aforementioned internal control regulations and the internal hierarchical accountability mechanisms of the financial institutions.

III. Do the regulations on data sharing between financial

institutions apply only to the sharing of "customers' personal data" between financial institutions?

Answer:

The Guidelines apply only to the sharing of "customer data" between financial institutions. However, data sharing is not limited to personal data and also include data of corporate customers.

IV. Questions regarding Article 1 of the Guidelines:

(I) Paragraph 2 of this article states "except in cases where data sharing is permitted by other regulations and such regulations shall apply". In such cases, should the financial institutions conduct data sharing in accordance with other regulations without following the Guidelines? What regulations are included in the "other regulations"? Does the regulation mean that data sharing shall be conducted in accordance with the Guidelines if it is not expressly provided in existing regulations or if no restrictions are imposed?

Answer:

1.The provision "except in cases where data sharing is

permitted by other regulations and such regulations shall apply" means that if the sharing of customer data between financial institutions is already governed by other regulations, such regulations shall apply. However, the financial institutions are still required to establish comprehensive internal control regulations in accordance with Article 3 of the Guidelines.

2.As for the "other regulations", the FSC has compiled a list of regulations allowing data sharing and disclosed it on the FSC website for convenient reference of financial institutions. Any future adjustment or new addition in regulations regarding sharing of customer data between financial institutions shall also be updated on the website. If the aforementioned adjustment or new addition is not promptly updated on the website, it shall be adopted on the official effective date after the amendment, announcement, or publication of the regulation.

3.If data sharing is not expressly provided in existing regulations or if no restrictions are imposed, once a financial

institution establishes comprehensive internal controls regulations and obtains approval from the board of directors, it may conduct data sharing in accordance with the Guidelines, the Personal Data Protection Act, and the internal control regulations, except for the first case of data sharing involving securities and futures companies which shall require an application for approval.

- (II) If financial institutions have already shared data between them in accordance with the Personal Data Protection Act, are they still required to conduct data sharing in accordance with the Guidelines?

Answer:

The Personal Data Protection Act was established to provide universal regulations on compliance matters in the collection, processing and usage of personal data. The Guidelines were established to provide principles for improving internal control regulations for data sharing by the three types of financial institutions. Therefore, financial institutions that have shared data in accordance with the Personal Data

Protection Act shall still be required to conduct data sharing in accordance with the Guidelines.

V. Questions regarding Article 2 of the Guidelines:

(I) What do negative data with greater impact refer to?

Answer:

Financial institutions may reference the "Rules Governing Exchanges of Negative Credit Data on Credit Extension Businesses by Financial Institutions through Joint Credit Information Center and Securities Firms through Taiwan Stock Exchange Corporation" for processing negative data. Financial institutions may also include relevant information that may affect customers' completion of financial transactions into the scope of negative data management in accordance with the nature of their business and the contents of the data sharing partnership.

(II) Examples and explanation of the "necessary verification" or "other measures to strengthen customer data protection" required for financial institutions.

Answer:

If the customer data files or public information (e.g., digital media, newspaper and magazines, and news) includes disclosure of information detrimental to customer interests, illegal activities, or anomalies, the financial institution shall depend on the circumstances to conduct cross comparison, evaluation, inspection, or request an explanation from the customer before making a decision. The financial institution should not draw conclusions from only a single source of data provided by data sharing partners.

(III)With regard to the requirement "the internal controls regulations must be passed by the board of directors" in Paragraph 2 of this article, can the board of directors authorize a certain department to review the regulations? How should the branches of foreign financial groups in Taiwan implement this requirement?

Answer:

- 1.The financial institutions shall implement the requirement in accordance with internal corporate governance principles. If the existing internal control system includes flexible rules,

such as authorizing the management departments to formulate implementation details or subsequent amendments, the requirement may be implemented in accordance with the existing internal control system of the company.

2.The requirement shall be processed in accordance with related regulations of the internal control and audit system of individual businesses of the branches of foreign financial groups in Taiwan. For instance, branches of foreign banks in Taiwan may implement the requirement in accordance with the “Comparison Table of "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" for Branches of Foreign Banks and Mainland Chinese banks”.

VI. Questions regarding Article 4 of the Guidelines:

With regard to the requirement for the disclosure of the privacy policy on the website, can financial institutions use phrases other than the term "privacy policy" in the titles on their websites? Are financial institutions required to announce and disclose new purposes for data sharing or new partners of data sharing each

time? Should information on the partners of data sharing be disclosed at regular intervals or updated immediately?

Answer:

(I) Phrases related to the "privacy policy" may be used flexibly with similar wording such as "customer data confidentiality measures" and "privacy policy for sharing customer data".

(II) The inclusion of different purposes for data sharing or new partners of data sharing shall require individual announcements for disclosure each time. However, financial institutions may disclose relevant partnership information in a form of attachment without having to change the privacy policies or principles disclosure for each time.

(III) As a principle, the information on partners of data sharing must be updated immediately.

VII. Questions regarding Article 5 of the Guidelines:

(I) Which Type of data sharing applies to the data sharing between the subsidiaries and branches of foreign financial groups in Taiwan?

Answer:

As the parent companies of foreign financial groups are not located in Taiwan, the FSC has no jurisdiction over the internal audit and internal control systems of the parent companies. The data sharing between the subsidiaries and branches of foreign financial groups in Taiwan is not classified as Type I or Type II but is classified as Type 3 based on the definitions and its nature.

(II) Should data sharing between the subsidiaries and branch companies of foreign financial groups in Taiwan and the foreign enterprises of the same group be conducted in accordance with the Guidelines?

Answer:

The Guidelines were established to govern the data sharing between financial institutions in Taiwan. The data sharing between the subsidiaries and branch companies of foreign financial groups in Taiwan and the foreign parent company or affiliated enterprises shall abide by related regulations or the authorizations of the competent authorities.