

Decree by the Financial Supervisory Commission

Date of Issue: June 11, 2021

Document Number: Jin-Guan-Cheng-Tou-Zi No. 1100333960

One. To improve the nation's asset management talents and skills, expand the scale of asset under management and move towards internationalization, this Decree develops the incentive measures for securities investment trust enterprises as follows:

- (I) The securities investment trust enterprises (hereinafter referred to as the "SITEs") which meet the "Basic Requirements" stated in Subparagraph (II) and also the dimensions of "Investment Research Capability," "International Presence" and "Talent Training" from Sub-paragraph (III) to Subparagraph (V) may qualify for the preferential measures listed in Sub-paragraph (VII) once they are approved by the Financial Supervisory Commission.
- (II) The "Basic Requirements" require that the SITEs meet the following three indicators:
 1. No material regulatory violation within three years prior to the date of application. SITEs going through major changes in managerial control due to merger, acquisition, or share transfer and are approved by the FSC are 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 the internal control system within three years prior to the date of application. Those who have developed concrete improvements recognized by the FSC are not subject to this indicator.

(III) "Self-Investment Capacity" and "Assets under Management and its Growth" of Dimension One "Investment Research Capability" must be satisfied:

1. At least two of the following four indicators in "Self-Investment Capacity" must be met:
 - (1) The number or the scale of publicly offered funds and private placement investment trust funds (referred to as 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% from the previous year until it reaches 1/10 and shall stay at this ratio. The aforesaid publicly-offered or privately-placed investment trust funds invested by cross-border investments do not include feeder funds, funds mainly invested in the sub-funds of the same Group, and private funds with 70% or more invested in a single fund.
 - (2) The average rate of return in the most recent three years 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 all SITES.
 - (3) The annual average of investment research team members (including fund manager, investment manager, and other investment research personnel) in the most recent three years is at least 25 persons or 20% of the total number of employees, and the number of investment research team members and the average asset management scale (excluding money market funds) are both growing, or if the annual average of investment research team members (including fund manager, investment manager, and other investment research personnel) in the most recent three years is at least 75 persons and the average asset management scale (excluding money market funds) in the most recent year ranks among the top 1/4 of all investment trusts.
 - (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.

2. At least one of the following two indicators in "Assets under Management and its Growth" must be met:
 - (1) The average AUM (excluding money market funds) in the most recent year ranked in the top one-third of AUM of SITEs in Taiwan, or the average AUM (excluding money market funds and ETFs) in the most recent year ranked in the top one-third of AUM of SITEs in Taiwan.
 - (2) The average AUM (excluding money market funds) in the most recent year was at least NT\$15 billion and the growth rate of AUM in the most recent year was positive, reaching the growth rate of the overall market scale, or that in the most recent year the average AUM (excluding money market funds and ETFs) was at least NT\$10 billion and the growth rate was positive, reaching the growth rate of the overall market scale.
- (IV) At least one of the following five indicators in "Global Presence" must be met:
 1. 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 with the assistance of the overseas locations of the parent group with substantial result in overseas business expansion.
 2. The SITE has actual sales results from public sales or private placement activities abroad (excluding OBU and OSU) with substantial results and growth in the years ahead.
 3. 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.
 4. 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.

5. Accept assessment from professional consulting firms or acquire accreditation of international standards.
- (V) At least one of the following three indicators in "Talent Training" must be met:
1. Conducting asset management talent training or cooperation with colleges in Taiwan to provide financial educational training, internship, or training for reserved personnel, and the performance is outstanding.
 2. The result is distinguished in training and educating internal talents for business-related studies, exams, or participating in international forums or seminars, and conducting visits to companies at home and abroad to improve investment research capabilities.
 3. The result is significant in allocating resources such as human resources in investment research, product design, risk control, investment trading, and other core asset management technology to the SITE by the 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.
- (VI) Other substantial contributions which enhance the business operation and development of the asset management industry in Taiwan, such as issuing funds appropriate for retirement planning, funds or discretionary accounts which invest domestically and emphasize on environmental protection (green), corporate governance or corporate social responsibility. 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.
- (VII) Preferential Measures
1. Basic preferential measures for meeting the "Basic Requirements" and three Dimensions:
 - (1) Based on Paragraph 3, Article 20 of the "Regulations Governing Securities Investment Trust Funds", the SITEs may apply for approval by the FSC regarding the public offering of the trust funds not limited by Article 8, Paragraph

- 1 of Article 10, and Articles 15 to 17, Article 27, and Paragraph 1, Article 30 of the abovementioned Regulations.
- (2) The SITEs may, based on Subparagraph 9, Article 23 of the "Regulations Governing Securities Investment Trust Funds," apply for approval by the FSC regarding the public offering of ETF feeder funds. The ETFs that have been managed by the invested SITEs are not limited to the domestic component securities ETF.
2. SITEs meeting the "Basic Requirements" and are in compliance with the three Dimensions may, in addition to enjoying the basic preferential measures, choose one of the following preferential measures. 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:
- (1) Relax the maximum number of new funds per application.
 - (2) Shorten the period for effective registration to 12 business days in accordance with the provision in the Sub-paragraph 2, Paragraph 3, Article 12 of "Regulations Governing the Public Offering of Securities Investment Trust Funds by Securities Investment Trust Enterprises."
 - (3) Simplify the application procedures for special types of funds. If the design of products involved the amendment of applicable laws, application for the deferred use of preferential measures is permitted.
 - (4) Other preferential or convenient measures in compliance with the relevant laws and regulations.
- (VIII) SITEs meeting the criteria stipulated from Subparagraph 2 to Subparagraph 6 shown above may apply for approval with the FSC before the end of June every year and at the same time propose the listed applicable preferential measures they wish to use. The validity period of approval is one year.
- II. Investment trust firms ranking among the last 3/4 in terms of average scale of asset management in the previous year and meeting the "Basic Requirements" of subparagraph 2 of the previous section, and conditions in 2 of the 3 areas of

“Investment Research Capacity”, “International Presence”, and “Talent Training” as stated in subparagraphs 3 to 5 (where subparagraph 6 of the previous section is applicable) that have applied with the FSC and obtained approval, may be entitled to the basic preferential treatment under point 1 of subparagraph 7 of the previous section. The aforementioned investment trust firms meeting the following conditions can be construed as satisfying the indicators related to subparagraph 3 or subparagraph 4 of the previous section:

- (I) The annual average of investment research team members (including fund manager, investment manager, and other investment research personnel) in the most recent three years is at least 15 persons or 20% of the total number of employees, and the number of investment research team members and the average asset management scale (excluding money market funds) are both growing, which shall be construed as meeting point 1 of subparagraph 3 of the previous section (3).
- (II) The average AUM (excluding money market funds) in the most recent year was at least NT\$15 billion and the growth rate of AUM in the most recent year reaching the growth rate of the overall market scale, or that in the most recent year the average AUM (excluding money market funds and ETFs) was at least NT\$10 billion and the growth rate reaching the growth rate of the overall market scale, which shall be construed as meeting point 2 of subparagraph 3 of the previous section (2).
- (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\$2.5 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\$9 billion with growth in the years ahead, which shall be construed as meeting point 3 of subparagraph 4 of the previous section.

(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\$2 billion, which shall be construed as meeting point 4 of subparagraph 4 of the previous section.

III. This Order shall be effective immediately; FSC Order Jin-Guan-Cheng-Tou-Zi No. 1090360829 dated March 20, 2020, shall cease to be in force with immediate effect.

Approval by the Supervisor of the Authorized Unit