

# **Trust 2.0 - "The Promotion Plan for Full Functions of Trust Services" Implementation Plan**

## **Chapter 1 Background**

- I. Trust enterprises are operated by financial institutions and the allocation of institutional resources has affected business expansion.

Trust enterprises in Taiwan are currently operated by financial institutions such as banks. They are mostly banks that operate trusts concurrently (43 banks and 11 securities firms operate trusts). Trust departments became the back offices which place orders and deal with transaction matters since banks began to develop wealth services in 2004. Due to the allocation of their internal resources and job rotation scheme, it has not been easy for trust enterprises to develop diverse trust services and cultivate professional trust talents. Therefore, financial institutions focused on selling financial products under the framework of non-discretionary money trust business. With limited market scale, operators easily engaged in price competition so that trust businesses would not be developed diversely.

- II. Using trust assets for wealth management still accounts for a high proportion of trust businesses and fewer trust services are truly tailor-made for customers:

Observing the past 20 years of trust businesses growth, the scale of trust assets has grown significantly from NT\$456 billion in 2000 to NT\$9.6 trillion as of the end of 2019. The trust assets of money trusts have increased from NT\$310 billion to NT\$8.4 trillion; the trust assets of real estate trusts have increased from NT\$45.6 billion to NT\$870.3 billion; the trust assets of securities trusts have increased from NT\$54.7 billion to NT\$283.1 billion. The growth has shown that trusts have

become an important property management scheme in Taiwan. However, using trust assets for wealth management still accounts for a high proportion of trust businesses and fewer trust services are truly tailor-made for customers.

- III. The FSC has actively encouraged trust enterprises to provide trust services for the elderly and people with disabilities since 2015, in order to shift trust enterprises' focus from wealth management trusts to trust businesses and respond to the needs of the aging society. To encourage trust businesses to make full use of their functions and respond to the challenges of an aging society, the FSC planned to implement Trust 2.0 Plan which helps trust enterprises develop a full functions of trust services:

The Organization for Economic Co-operation and Development (OECD) stated that the increase in life expectancy and declining fertility rate have caused rapid increases in the elderly population of developed countries. The 2019 G20 meeting also included the aging population as an issue for the first time. According to the statistics of the Ministry of the Interior, Executive Yuan, Taiwan's elderly population over the age of 65 reached 3.31 million in 2018, accounting for 14.1% of the total population as Taiwan officially becomes an aged society. The National Development Council estimated that by 2030, the elderly population in Taiwan will account for approximately 23.9% of the population with an average of 2.7 young adults supporting 1 elderly person; by 2040, they will account for 30.1% of the population with an average of 2 young adults supporting 1 elderly person; by 2050, they will account for 36.5% of the population with an average of 1.5 young adults supporting 1 elderly person. Due to the wide range of applications offered by trusts and their flexibility in operations, the FSC launched the Trust 2.0 Plan to

respond to the challenges and opportunities presented to the country by the changes in the elderly population. The FSC encourages trust enterprises to form a consensus and use measures such as organizational adjustments, cultivation of a corporate culture by the senior management, remuneration and incentives, relaxing regulations, and talent cultivation to shift the focus of trust enterprises from wealth management trusts to support the people's needs in all aspects of life. These measures will create trust businesses with full functions and help trust enterprises provide services needed by all citizens in an aging society. They will also help them create their own niches for sustainable development and create an environment for mutual gains and win-win for the trust enterprises and the society.

## Chapter 2 Vision of the Plan:



**I. Build age-friendly residences and promote aging in place:** Use financing, superficies (leasehold) trusts, real estate trusts, real estate development trusts, construction fund trusts, and entrusted real estates, etc. and make

use of urban renewal and vacant public land to cooperate with developers of elderly care facilities to build elderly care residences or daycare centers to achieve the objectives of aging in place, aging in the community, and aging in institutions.

- II. **Assist in asset management and ensure economic security:** Use prepaid fund trusts, reverse mortgage, and various insurance payments to establish elderly care trusts that provide payment functions for care for the elderly. Trust enterprises can also use discretionary trusts with flexible adjustments of trust properties to help the elderly with asset management and ensure their economic security.
- III. **Establish cross-industry alliances to meet diverse needs:** Trust enterprises can screen other industries or associations to establish cross-industry collaboration and provide the elderly with one-stop high-quality services including personal care, healthcare, social welfare, and general entertainment.
- IV. **Integrate securitization tools to develop diversified markets:** Real estate investment trusts (REITs) can help free up real estate, increase fundraising channels, and effectively develop and make use of real estate. The FSC encourages financial institutions to take part in the REIT market and enhances governance mechanisms of REITs to promote diverse development in the market with securitization tools and protect the rights and interests of investors.

## **Chapter 3 Contents of the Plan**

- I. **Integrate internal resources of financial institutions across multiple financial products:** Plan and organize seminars and share the experience and case studies of trust businesses organized by financial institutions to help the senior management of financial institutions

recognize the value of assets, focus more on trust businesses, and consolidate a consensus of the board of directors and senior management for improving the functions of trusts. These measures will encourage financial institutions actively invest suitable resources and integrate the internal resources of financial institutions into all financial products (including bank loans, wealth management, insurance, securitization, and other financial services) to develop a full functions of trust services.

- II. Extend coverage across industries, respond to changes in society, cooperate with industrial policies, and use cross-industry collaboration to design personalized trust products to provide comprehensive financial services:** Trust enterprises can use cross-industry cooperation to design personalized trust products and provide customers with a full scope of high-quality services including asset management, personal care, healthcare, social welfare, general entertainment, urban renewal development, use of vacant public land, and the Long-Term Care 2.0 Policy.

## **Chapter 4 Main Implementation Strategy:**

### **I. Regulations and Business Development**

(I) Important measures:

1. Guide financial services firms to gradually elevate the functions of their trust departments and give them a more prominent position within their organizational structure: By means of legislation or self-governing regulations to guide financial institutions to implement internal organizational restructuring; to establish a trust business development strategy unit to enhance trust business functions, conducting regular reviews on the reasonableness of trust business development strategies,

staffing, authority and responsibilities, budgets, and annual targets, and proposing business development recommendations to provide a full scope of services through trusts and financial instruments.

2. Amend the Principles for Review and adoption of Remuneration Mechanisms of Trust Enterprises: The FSC will weigh the proportion and KPI evaluation indicators of trust businesses in institutional evaluations of branches and adopt the overall contributions of the employees' use of trust for implementing integrated businesses as the main performance evaluation standard.
3. Ease restrictions on marketing and promotion of trust businesses: The FSC will gradually deregulate related laws and self-governing regulations of trust businesses for jointly marketing and cooperating with other sectors to help promote trust businesses.
4. Evaluate the feasibility of the development of specialized trust companies in Taiwan: Current trust enterprises in Taiwan are operated by financial institutions such as banks. Due to the allocation of institutional resources and the adoption of internal rotation systems for professionals, it has been difficult for trust enterprises to develop diverse trust services and cultivate professional trust talents. Therefore, the financial institutions current trust businesses are mostly focused on the sales of selling financial products in under the framework of specific non-discretionary money trusts business and it is difficult for them to develop trust products that meet customers' actual need. To guide financial services firms to transform their business models from financial products selling into trust products tailored-made for customers, the FSC will evaluate the feasibility of specialized trust companies development in Taiwan.
5. Review regulations to enhance the governance of real estate investment trusts (REITs): Existing legislations or self-governing regulations are

lack of procedures of beneficiaries' meetings organized by REITs. The FSC will review and clarify related regulations to enhance the governance of REITs and the protection of investor interests. As for the contents of review will at least include the procedures for the beneficiaries' meetings, transaction procedures with stakeholders, method of disclosure of financial statements, and investor protection mechanisms.

6. Coordinate and enhance pre-sale house trust mechanisms: To reduce disputes in the transactions of pre-sale houses and enhance the protection of the buyers' rights and interests, the Trust Association has drafted specific adjustments for the "Mandatory and Prohibitory Provisions of Standard Contracts for Pre-sale Housing" which stipulated by the Ministry of the Interior and related supplementary explanations. The FSC has provided this information to the Ministry of the Interior as reference on November 1, 2019. The FSC will discuss with the Ministry of the Interior on the approaches to enhance the governance of construction companies and the responsibilities of trust banks to strengthen the protection of the buyer's interests and reduce transaction disputes.
7. Formulate family trust legal framework and taxation environment: To help trust industry develop family trust businesses, and to help enterprises stabilize ownership and operate sustainably, as well as to resolve property succession issues, the FSC will consult related government agencies (including Ministry of Justice, Ministry of Economic Affairs, Ministry of Finance, etc.) for formulating family trust legal framework and taxation environment.
8. Encourage companies to provide employee welfare trusts: To help Taiwanese employees achieve economic independence after retirement, the FSC will put forward measures such as incorporating corporate

governance indicators and formulating a reasonable taxation environment to encourage companies provide employees with welfare trusts as the third pillar for strengthening the pension reserve.

- (II) After implementing rolling reviews of laws and self-governing regulations and submitting the results to the working group for resolution, all the measures will be monitored one by one. Related government agencies will also be invited to join the working group based on needs for future discussions.

## **II. Talents Cultivation, Promotion, and Industrial-Academic Cooperation**

### **(I) Talent Cultivation**

1. Develop professional training programs for trust businesses: Assigning trust business specialists to institution branches to expand the coverage of trust services, reducing or removing the mandatory rotation mechanisms in the trust department to cultivate professional trust talents, and gradually appoint professionals with expertise in taxation, law, accounting, and business administration in trust departments.
2. Organize and execute training courses required for the Trust 2.0 Plan: Financial training institutions such as the Taiwan Academy of Banking and Finance, Taipei Foundation of Finance, and Securities and Futures Institute, ROC (hereinafter referred to as financial training institutions) shall organize and execute the training courses required for the Plan, and cultivate related professional talents for trust businesses in trusts, law, finance and accounting, taxation, and management of various assets. The institutions can also strengthen related training courses for personnel of cross-industry alliances to facilitate cooperation and communication.
3. Promotion of related certification frameworks:

- (1) The Trust Association promotes the "Financial Advisors for Seniors" trust professional skill certification framework for financial training institutions to organize related courses. The Plan uses a series of courses lasting approximately 100 hours on basic knowledge of elderly psychology, and behavioral and medical care, and trust products such as retirement trusts and family wealth succession trusts. They train professional trust personnel and related service personnel for the elderly. Those that obtain the "Financial Advisors for Seniors" certificate have comprehensive knowledge for caring for the elderly. They can engage the elderly, understand their needs, and recommend suitable property and pension planning options. They can also use the internal resources of financial institutions to provide comprehensive services.
  - (2) The Trust Association promotes the "Family Trust Advisors" certification plan for financial training institutions to organize related courses. The course design includes approximately 120 hours of courses ranging from the legal framework of family trusts, plans and designs of family offices, and domestic family trust plans to family governance structure and succession design. The courses cultivate the necessary talents for the development of family trusts, and develop a platform for internal talent sharing and resource integration for financial institutions or involve external experts such as accountants or lawyers to provide guidance and assistance to domestic small and medium enterprises to achieve sustainable operations through family trust planning.
4. The FSC urges the Trust Association to regularly organize seminars to continue consolidating consensus within the industry for the transformation of trust businesses: The Trust Association plans to

organize 3-5 sessions of trust business seminars each year and invites related competent authorities, scholars, and businesses to the seminars. These seminars facilitate opportunities for the exchange of ideas on theory and practice, allow all sectors to express their opinions, and help trust businesses understand the value of trusts and actively pursue the transformation of trust businesses.

**(II) Campaigns for Enhancing the Public's Knowledge of Trusts:**

1. The Trust Association continues to implement promotional campaigns for institutions, groups, schools, and trust consultation contact units of Social Welfare Bureaus (Departments) in municipal governments. It also actively communicates with public affairs organizations and various social welfare organizations (including elderly service centers, health service centers, and hospital social work units), and assigns personnel to serve as instructors to help personnel of government institutions, workers in various units, the elderly, people with disabilities, and their family members understand trusts.
2. The Trust Association produces promotional short videos for trusts to be played on media such as television, Internet, and social networks. The Trust Association will follow business development trends and plan the production of posters or publication of promotional pamphlets and other promotional materials for trust businesses for reference and use by all sectors. It will also produce business promotional short videos to be played on all types of channels and take part in activities related to trusts organized by different sectors to strengthen the awareness of trusts during the activities.
3. Using press releases, meetings, and media to continue to promote trusts to help citizens learn more about trusts and enhance the public's knowledge of trusts.

4. It is suggested to include the idea of trusts and trust businesses into the "Financial Literacy" Campaign and work with training institutions to provide contents of seminars and recommend instructors. The "Songnian University" organized by municipal governments are advised to include trust courses in common subjects and invite colleagues from the trust businesses to serve as lecturers to promote the idea of trusts to the people through actual case studies.

(III) Enhance industrial-academic cooperation for trusts:

1. Encourage universities and colleges to offer professional courses on trust laws and trust businesses. Work with schools to plan and offer professional courses (e.g., gerontology) required for various trust services. Offer awards, advanced studies, or other incentives to scholars of research institutions and teachers and students at all levels who have achieved concrete results in subjects related to trusts.
2. Provide information on the supply and demand of talents that specialize in trusts, encourage trust enterprises and related service providers to provide after-school internship opportunities for students, and provide employment opportunities (including short-term employment) for those with satisfying academic performance. These measures will encourage schools to offer trusts related courses.

**III. Cross-Industry Alliances**

- (I) Evaluate cross-industry and integrate-product line issues and invite related cross-industry businesses for discussions based on the theme of cooperation to discuss potential cooperation in supply and demand, value creation, and profit sharing, and create a platform for promoting cross-industry innovations and services.
- (II) Encourage trust businesses to use innovative marketing or integrated product sales models such as "cross-industry alliance services",

"cross-industry referral marketing", or "integrated marketing of trusts or financial products" and include them as evaluation items of institutional evaluations.

1. In terms of integrated marketing of trusts or financial products, trust businesses can develop services that integrate different trust businesses such as a combination of a real estate development trust for the construction of residences for the elderly with a leasehold trust, an integrated trust model with a prepaid fund trust and an elderly care trust, or the use of internal resources of trust businesses to connect bank loans, wealth management, insurance, securitization, and other financial products and provide integrated financial services.
2. In terms of promoting cross-industry alliances, the FSC encourages trust enterprises to provide integrated cross-industry services for all necessities of life that may be derived from personal trust services. They can use alliances with other enterprises or institutions to provide convenient and preferential services diverse services other than property management and trust payments, such as home care, medical transportation services, residence in long-term care (elderly care) institutions, health examination arrangements, cleaning services, home maintenance, installation and repairs of auxiliary appliances, food delivery, legal counseling, real estate escrows, room reservations, and overseas assistance. The trustee uses its role as the property manager and its close relations and trust with the trustor to provide comprehensive coverage for life necessities. The trustee can also design tiered services with different payment standards based on the needs of individual trustors to provide families with high assets, middle class, and the general public with exclusive services.

- (III) The Trust Association and trust enterprises can visit social welfare organizations, elderly care organizations, and medical institutions to explore the possibilities of cross-industry collaboration.

#### **IV: Evaluation and Reward Mechanisms:**

- (I) The Trust Association is responsible for the evaluation of the results of institutions. The FSC will provide suitable rewards for trust institutions with outstanding performance in implementation and publish the results on the FSC website. It will also request institutions with outstanding performance to reward personnel who made contributions to their success.
- (II) The contents of the evaluation must be focused on the "qualitative" factors of trust businesses of financial institutions. The FSC will evaluate the performance based on the characteristics of trust services, changes in the society and future development, benefits and integrity of the plan, and the functions for maintaining economic security and social welfare. The evaluation items will incorporate the integrity of customer services, integration and enhancement of trust resources, innovation in the development of new markets, new customers, new technologies, and new services, and contributions to the financial market and social welfare.
- (III) The Trust Association shall consult willing trust enterprises to develop at least two types of unique or innovative trust products with cross-industry alliances each year to generate interest in the market and among the people. The measures are aimed to help trust enterprises learn from each other, promote advancement and innovation of trust businesses, improve the competitiveness of Taiwan's financial industry, and enhance the benefits from the

implementation of Trust 2.0.

## **Chapter 5 Implementation Manners and Future Development Plans:**

### **I. Convene Meetings of Senior Managers to Consolidate Consensus**

(I) The FSC will convene meetings and invite financial institutions (chairmen and presidents), experts, and scholars. In addition to the promotion of the FSC's Trust 2.0 policy and recommendations of experts and scholars, the FSC will also invite financial institutions that have achieved concrete results in planned trusts or have implemented adjustments of the trust department to share their experience (e.g., Taiwan Cooperative Bank has cooperated with other industries to combine the construction of residences for the elderly with one-stop services for medical care, nursing, and long-term care. It has launched the second-generation cohousing residences to provide people with new choices for cohabitation in residences for the elderly. In response to the aging society, Taipei Fubon Bank has strengthened its trust businesses from top to bottom, and has adjusted the organizational structure of its trust department to actively develop planned trust businesses).

(II) By holding the aforementioned seminars to gradually reinforce financial institutions' focus on trust services and helped the board of directors and senior management team understand that their trust departments and business model need to be changed in order to adequately respond to the aging society. They must also cultivate professional trust personnel, hire or work with professional talents in taxation, law, finance and accounting, or business administration, and implement other management measures such as amendments to the weight of trust business performance evaluations to actively invest

sufficient resources for the development of trust services with full functions.

## II. Establishment of the "Trust 2.0 Implementation Working Group"

(I) The Convener is the Chairperson of the FSC; the Deputy Convener is the Vice Chairperson of the FSC Ms. Chiu; the Executive Secretary is the Director-General of the Banking Bureau.

(II) Implementation schedule: Two years (to be reviewed for renewal upon expiry).

(III) Implementation manner: Members responsible for each strategy shall convene meetings regularly or when necessary and regularly report the implementation progress of main strategies to the Working Group.

(IV) Members of the Working Group: Members include the Trust Association, Bankers Association, financial training institutions, Taiwan Financial Services Roundtable, trust enterprises, Ministry of the Interior, Ministry of Health and Welfare, social welfare organizations, and representatives assigned by related industries. They shall invite related enterprises from different industries for discussions based on the theme of the cooperation. The level of representatives of government institutions shall be designated by the government institutions based on the topics of discussions.

(V) Main implementation strategies and collaboration:

Main Implementation Strategy	Collaboration
Regulations and Business Development	FSC, Ministry of the Interior, Trust Association, Bankers Association, trust enterprises

Talent Cultivation, Promotion, and Industrial-Academic Cooperation	Trust Association, financial training institutions, Taiwan Financial Services Roundtable, trust enterprises, Bankers Association
Cross-Industry Alliances	Trust Association, Bankers Association, financial training institutions, trust enterprises, Ministry of Health and Welfare, social welfare organizations, representatives assigned by related industries
Evaluation and Reward Mechanisms	Trust Association, Taiwan Academy of Banking and Finance, trust enterprises, FSC

### III. Project Timeline

Item	Task	Organizer	Estimated Deadline
1	Convene meetings of senior managers of trusts to reach consensus	FSC, Trust Association	Early August of 2020
2	Establishment of the "Trust 2.0 Implementation Work Group"	FSC, Trust Association, Bankers Association, financial training institutions, Taiwan Financial Services Roundtable, trust enterprises, Ministry of the Interior, Ministry of Health and Welfare, social welfare organizations,	<ol style="list-style-type: none"> <li>1. The implementation of the plan will take approximately two years.</li> <li>2. The first meeting of the Working Group will be held in mid-August of 2020.</li> </ol>

		representatives assigned by related industries; other government institutions will be invited in the future based on the needs of the main implementation strategies.	
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## Chapter 6 Working Group Implementation Agenda

### I. Main Implementation Strategy 1: Regulations and Business Development

Task	Organizer	Expected Deadline
1. Guide financial services firms to gradually elevate the functions of their trust departments and give them a more prominent position within their organizational structure	Organizer: FSC Co-organizer: Trust Association, Bankers Association	September of 2022
Amend the Principles for Review and adoption of Remuneration Mechanisms of Trust Enterprises	Organizer: Trust Association Co-organizer: Bankers Association, trust enterprises	December of 2021
3. Ease restrictions on the marketing and promotion of trust	Organizer: FSC Co-organizer: Trust	December of 2021

businesses	Association	
4. Evaluate the feasibility of specialized trust companies establishment in Taiwan	Organizer: Trust Association Co-organizer: FSC	December of 2021
5. Review regulations to enhance the governance of real estate investment trusts (REITs)	Organizer: FSC Co-organizer: Trust Association	December of 2021
6. Coordinate and enhance the implementation of pre-sale house trust mechanisms	Organizer: Ministry of the Interior, FSC Co-organizer: Trust Association	September of 2022
7. Formulate family trust legal framework and taxation environment	Organizer: Trust Association Co-organizers: Ministry of Justice, Ministry of Economic Affairs, Ministry of Finance, FSC	September of 2022
8. Encourage companies to provide employee welfare trusts	Organizer: Trust Association Co-organizer: FSC, Ministry of Finance	September of 2022

**II. Main Implementation Strategy 2: Talent Cultivation, Promotion, and Industrial-Academic Cooperation**

Task	Content	Organizer	Estimated
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			Deadline
1. Training professional talents	<ol style="list-style-type: none"> <li>1. Develop trust businesses related professional training programs</li> <li>2. Organize and execute training courses required for the Trust 2.0 Plan</li> </ol>	<p>Organizer: Trust Association</p> <p>Co-organizer: Taiwan Academy of Banking and Finance and other training institutions, Bankers Association, Taiwan Financial Services Roundtable</p>	September of 2022
2. Promotion of related certification scheme	<ol style="list-style-type: none"> <li>1. Promote the Financial Advisors for Seniors certification scheme</li> <li>2. Promote the Family Trust Advisors certification scheme</li> </ol>	<p>Organizer: Trust Association</p> <p>Co-organizer: Taiwan Academy of Banking and Finance and other training institutions</p>	December of 2021
3. Innovative trust products or case studies	Consult willing trust enterprises to launch unique or innovative trust products with cross-industry alliances on a	Trust Association	Constant Business

	regular basis, and organize seminars to generate interest in the market and increase the people's awareness.		
4. Enhance awareness	<ol style="list-style-type: none"> <li>1. Use press releases, meetings, and media to continue to promote ideas of Trust 2.0</li> <li>2. Continue to organize promotional campaigns for institutions, organizations, and schools</li> <li>3. Organize seminars to create a consensus among the industry, government, academia, and public opinion</li> <li>4. Produce promotional short videos for Trust 2.0 to be played on</li> </ol>	<p>Organizer: Trust Association</p> <p>Co-organizer: Trust enterprises, FSC</p>	Constant Business

	media such as television, Internet, and social networks		
5. Industry-academia collaboration	Form alliances with schools for industrial-academic cooperation in courses related to trusts	Organizer: Trust Association Co-organizer: Taiwan Financial Services Roundtable, Bankers Association, trust enterprises	Constant Business

**III. Main Implementation Strategy 3: Cross-Industry Alliances**

Task	Organizer	Expected Deadline
1. Study cross-industry and cross-product line issues and create a platform for promoting cross-industry innovations and services	Organizer: Trust Association Co-organizer: Taiwan Financial Services Roundtable, Bankers Association, trust enterprises	September of 2022

2. Interview social welfare organizations, elderly care organizations, and medical institutions to explore the possibilities of cross-industry collaboration	Organizer: Trust Association Co-organizer: Trust enterprises Ministry of Health and Welfare FSC Social welfare organizations	Constant Business
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#### **IV. Main Implementation Strategy 4: Evaluation and Reward Mechanisms**

Task	Organizer	Expected Deadline
Organize evaluations to reward trust institutions and personnel with outstanding performance	Organizer: FSC Co-organizer: Trust Association Taiwan Academy of Banking and Finance Trust enterprises	Annually since 2021