

Important Measures and Effectiveness of the Trust 2.0

"Comprehensive Trust" Implementation Plan

As of July 31, 2022

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I. Introduction

1. Background

Trust enterprises have worked hard and achieved significant growth in trust assets since the Trust Enterprise Act passed in 2000. They have also gradually developed specific trust products which integrated elderly care and medical services. However, as trust businesses are currently operated by financial institutions, trust departments have become the back offices which place orders and deal with transaction matters since banks began to develop wealth management 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 talents.

Considering the full spectrum of trust functions and flexibility in operations, the FSC launched the Trust 2.0 Plan on September 1, 2020 in response to the challenges and opportunities of the aging society and declining birthrate. 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 comprehensive trust businesses 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.

2. Vision of the Plan

(1) 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.

(2) Assist in asset management and ensure economic security

Use prepaid fund trusts, commercial reverse mortgages, 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.

(3) Establish cross-industry alliances to meet diverse needs

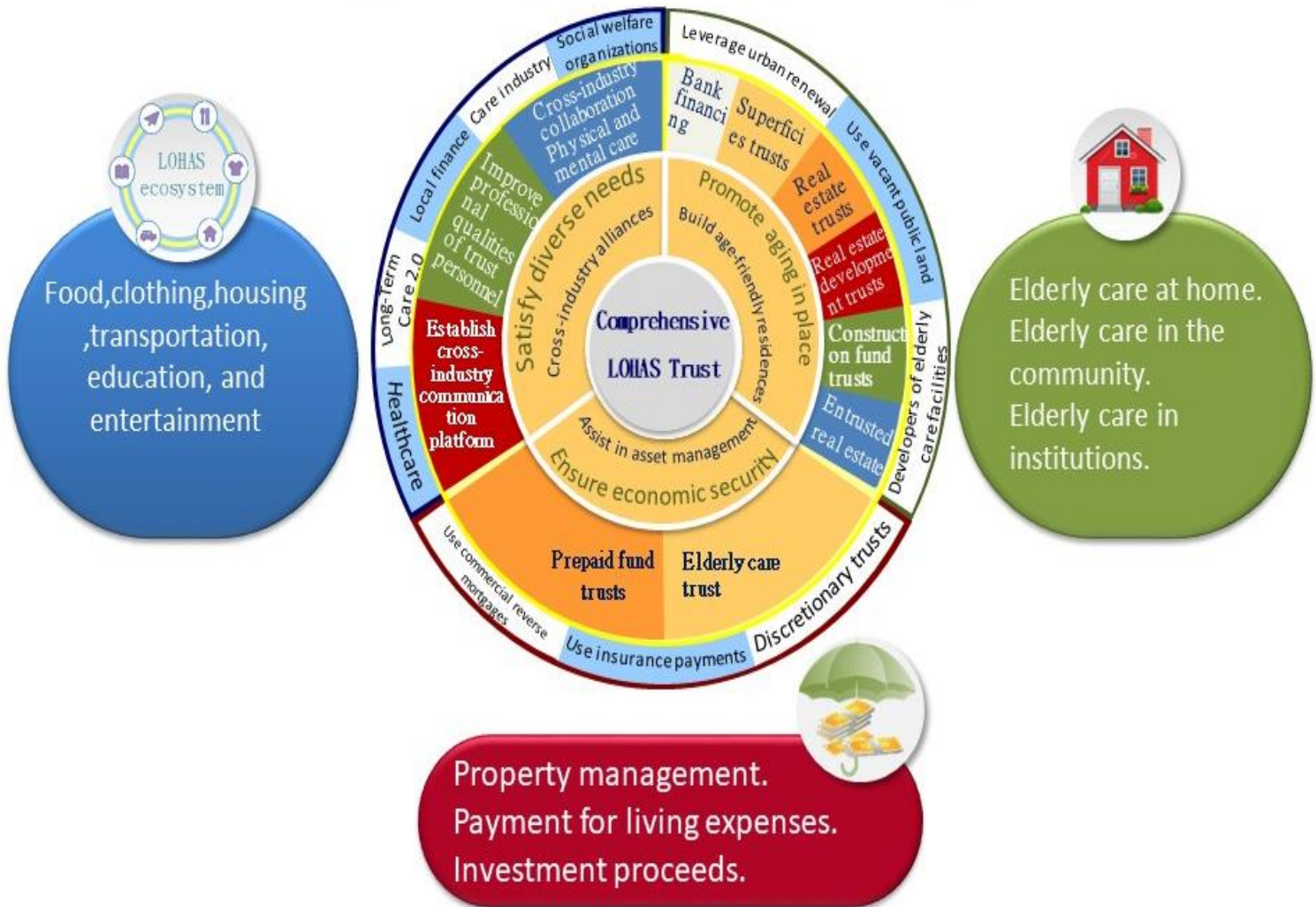
Trust enterprises can screen other industries or associations to establish cross-industry collaboration and provide the elderly with one-stop high-quality services including personal care, healthcare, social welfare, and general entertainment.

(4) 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.

Comprehensive LOHAS Trust



3. Contents of the Plan

- (1) 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 to 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 full functions of trust services.

- (2) 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.

II. Implementation of Important Measures of the Trust 2.0 Plan

1. Guide financial institutions to gradually elevate the functions of their trust departments and give them a more prominent position within their organizational structure

- (1) To encourage enterprises to learn from each other, the FSC organized two sessions of the "Trust 2.0 Implementation Strategy Seminar" on January 6, 2021 and September 30, 2021 and invited senior executives of trusts so that the enterprises can share their experience in the promotion, planning, and implementation of trusts.
- (2) The FSC promulgated the "Evaluation and Reward Mechanisms for the Implementation of Trust 2.0 Plan by Trust Enterprises" on September 14, 2021. The awards include the "Best Trust Award" and the enterprises' internal organizational adjustment and overall resource integration were included as evaluation items (accounting for 50%).
- (3) According to the survey conducted by the Trust Association of R.O.C. (hereinafter referred to as the Trust Association), enterprises have gradually adopted measures to elevate the functions of their trust departments and give them a more prominent position within their organizational structure. As of the end of June 2022, 18 enterprises have set up trust business development strategy units to plan the future development of trust businesses and reasonable allocation of resources across the firm; 13 enterprises have reduced or ended the rotation mechanisms between trust business departments and other departments, and provided appropriate and reasonable promotion

channels for personnel of the trust department; 21 enterprises appointed trust business specialists with business consultation skills in their branches; 18 enterprises elevated their trust departments and established cross-industry and internal resource integration units in the trust enterprise to promote internal resource integration, product integration and marketing, and cross-industry alliance matters; and 23 enterprises adjusted the proportion of trust business in their assessments of branches.

2. Amend the Principles for Review and Adoption of Remuneration Mechanisms of Trust Enterprises

- (1) The FSC amended the "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises" on September 15, 2021. The Regulations require banks that concurrently conduct trust businesses to consider the contribution of businesses integrated with the trust system in the remuneration system of a trust enterprise. When evaluating the performance of an internal unit, banks shall assign reasonable weights to the unit's contribution of businesses integrated with trust system. These regulations are implemented to encourage enterprises to set reasonable evaluation standards for trust businesses.
- (2) The Trust Association has revised the "Principles for Review and Adoption of Remuneration Mechanisms of Trust Enterprises" and obtained the approval of the FSC on March 3, 2022.

3. Ease restrictions on marketing and promotion of trust businesses

- (1) The FSC promulgated the amendment of the "Regulations Governing Cross-selling Among a Financial Holding Company's Subsidiaries" on February 26, 2021 and eased restrictions on insurance trusts organized by banks and securities firms that concurrently conduct trust businesses to allow the insurance subsidiary of the same financial holding company to engage in referrals and acceptance of applications.
- (2) On November 29, 2021, the FSC registered the "Directions for Cross-selling of Insurance Trusts Between a Trust Enterprise and an Insurance Enterprise" formulated by the Trust Association with authorization granted in accordance with Article 6 of the aforementioned Regulations. The Trust Association established related self-governing rules for the insurance trust payment types that may be included in cross-selling, operating procedures, qualifications of business personnel, and other compliance items.
- (3) The FSC amended the Q&A for the "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises" on March 21, 2022 and eased restrictions on the maximum value of promotional gifts provided by trust enterprises when they organize promotional events for elderly care trusts from NT\$200 to NT\$500. Trust enterprises may also provide gifts with a maximum value of NT\$200 for the promotional events of trusts other than elderly care trusts.

4. Evaluate the feasibility of the development of specialized trust companies in Taiwan

The Trust Association has outsourced and completed the "Recommendations on the Feasibility of the Development of Specialized Trust Companies in Taiwan" research report. The FSC shall reference the contents of the report and implement recommendations based on future market development.

5. Review regulations to enhance the management of real estate investment trusts (REITs)

The Trust Association has outsourced and completed the "Research on Regulations for Enhancing the Management of Real Estate Investment Trusts" report. The FSC shall study the recommendations provided in the research report based on actual requirements and the amendment of related legislation (e.g., Securities Investment Trust and Consulting Act). The Trust Association is currently evaluating the appropriateness of the parts that involve the self-governing rules and will revise the self-governing rules in accordance with procedures.

6. Coordinate and enhance pre-sale house trust mechanisms

- (1) The FSC invited the Ministry of the Interior, Bankers Association of the Republic of China (hereinafter referred to as the Bankers Association), Trust Association, and related institutions to a meeting on the real estate development trusts and price trust mechanisms for pre-sale houses on March 30, 2021. The FSC issued an official letter to the Ministry of the Interior on April 15, 2021 based on the results of the meeting and provided recommendations for the amendment of the

"Mandatory and Prohibitory Provisions of Standard Contracts for Pre-sale Housing" and supplementary explanation.

- (2) The Trust Association formulated enhancement measures based on the aforementioned conclusions of the meeting and incorporated them into the "Directions for Pre-sale Housing 'Real Estate Development Trust' and 'Price Trust' Organized by Members of the Trust Association of the ROC", which were acknowledged by the FSC on January 11, 2022.
- (3) The Trust Association has outsourced and completed the "Research on the Actual Operations of the Real Estate Development Trust and Price Trust for Pre-sale Housing Contract Performance Guarantee Mechanisms" report. The FSC sent the recommendations proposed in the report to the Ministry of the Interior as reference on June 9, 2022.

7. Formulate family trust legal framework and taxation environment

The Trust Association has outsourced and completed the “Research on the Development of the Family Trust Legal Framework and Taxation Environment in Taiwan” research report. The FSC sent the recommendations proposed in the report to the Ministry of Justice and Ministry of Finance for reference on March 31, 2022. The FSC will continue to obtain information how the Ministry of Justice and Ministry of Finance proceed and continue communication and studies where necessary.

8. Encourage companies to provide employee benefit trust

- (1) The employee benefit trust organized by companies have been included in the explanatory items in the "Corporate Governance Evaluation Indicators" as well as the evaluation indicators and the settings of the weight of constituent stocks of the "Taiwan Labor Rights Index".
- (2) As of the end of June 2022, trust properties of employee benefit trust organized by all trust enterprises totaled NT\$183 billion, an increase of 42.1 billion compared to the end of 2020.

9. Promote the "Financial Advisors for Seniors" trust professional skill certification scheme

The Trust Association completed the "Financial Advisors for Seniors" certification plan in January 2021 and organized the first training programs on April 20, 2021. As of July 2022, 1,100 people have obtained qualification (session 1 and session 2 attendees).

10. Promote the "Family Trust Advisors" certification plan

The Trust Association completed the "Family Trust Advisors" certification plan in April 2022 and organized the first training courses on July 16, 2022.

11. Cross industry cooperation with social welfare organizations, elderly care organizations, and medical institutions.

- (1) Trust Association, Taiwan Financial Services Roundtable, Bankers Association, and trust enterprises have established the "Cross-Industry Innovation Service Implementation Platform" which has convened regular meetings since November 2020.

They invite representatives of related industries and units based on the agenda items of the meetings. The Trust Association has formulated the "Trust Enterprise Cross-Industry Alliance Development Roadmap" to implement four major cross-industry collaboration projects in separate phases. They include elderly care trusts, real estate management trust, elderly care residence real estate development trusts, and family trusts. It also set up the "Trust Enterprise Cross-Industry Alliance Partner Database".

- (2) The FSC has referenced the recommendations of the Trust Association and sent a request on February 26, 2021 to the Ministry of Health and Welfare and other government agencies to encourage the medical institutions under their jurisdiction to consult trust enterprises for the "establishment of mechanism for remittance of trust clients' medical expenses by trustees". The FSC also sent requests on April 22, 2021 to the Ministry of the Interior and the Ministry of Health and Welfare to encourage social welfare organizations, care institutions (providers), elderly care institutions, and medical institutions to actively participate and organize trust-related promotional courses.
- (3) The Trust Association formulated the "Incentive Program for the Joint Promotion of Elderly Care Trusts by Trust Enterprises and Institutions or Organizations with Outstanding Track Records" on November 9, 2021. Trust enterprises and the Trust Association regularly provide recommendations for the Trust Association to select 10 institutions or organizations with outstanding track records in promoting trusts (e.g., social welfare organizations, care institutions (providers), elderly care institutions, and medical institutions) for public commendation

and presentation of certificates of appreciation.

12. Set up evaluation schemes to reward trust enterprises and high-performing employees

The FSC promulgated the "Evaluation and Reward Mechanisms for the Implementation of Trust 2.0 Plan by Trust Enterprises" on September 14, 2021. The evaluation and reward mechanisms consist of 4 awards including the "Best Trust Award", "Elderly Trust Award", "Employee Benefit Trust Award", and "Trust Business Innovation Award". The evaluation items of the "Best Trust Award" in the evaluation of institutions include internal organizational adjustment and overall resource integration, talent development, awareness campaigns and industry-academia cooperation, cross-industry alliances, and other important indicators. The evaluation items for individual business awards such as the "Elderly Trust Award", "Employee Benefit Trust Award", and "Trust Business Innovation Award" include various qualitative and quantitative indicators. In 2022, the FSC invited renowned organizations or experts and scholars with high esteem for the first evaluation, and plans to organize the award ceremony to commend banks with outstanding performance on September 12, 2022.

III. Conclusion

As the name implies, trusts are built on trust, which is the same value for the existence of financial institutions. Therefore, the development of trust services always starts with people. The most important value of the existence of financial institutions is to ensure security for customers and earn their trust with high-quality services,

and to provide financial services that truly meet customers' needs. In terms of the long-term development of the finance industry, the trust is a critical property management system. Taiwan is now faced with rapid aging of the population, a low birthrate, and changes in the family structure, which give rise to issues involving medical services and family asset succession. Trusts offer flexibility and may be customized based on the actual needs of different groups of people in the society to take care of people in different stages of life and promote inclusive finance. The FSC also continues to encourage trust enterprises to elevate their trust services on the existing foundations to fulfill the vision of the Trust 2.0 Plan and allow the trust system to gradually take root and grow in the society.

To communicate the vision of the Trust 2.0 Plan and promote the trust system, the FSC outsourced the production of the "Trust 2.0 Life 2.0" micro movie ([click here to view](#)), and requested the Trust Association to help collect information for the publication of the book "[Elderly Care Trust 2.0 — Elderly Care Trust Innovation and Results 2016-2020](#)" ([click here to download](#)). The FSC hopes to provide information on the concepts of the elderly trust, highlights of elderly care trusts provided by trust enterprises, and case studies of heartwarming services to bring trusts closer to people. We encourage you to view and share the information.