

AML/CFT Compliance Examination Manual

for Securities Firms

Revised December 2020

Examination Item

- 1、The internal control system for AML/CFT and risk assessment
- 2、AML/CFT procedures and controls
- 3、Management system & organization
- 4、Strengthen inspection of the specific matters

No.	Examination Item	Legal Basis
1	<p>The internal control system for AML/CFT and risk assessment</p> <p>1.1 The internal control system</p> <p>1.1.1 The appropriateness of the internal control system</p> <p>1.1.1.1 (1)Are the internal control system and any amendments for AML/CFT approved by the board of directors?</p> <p>1.1.1.2 (2)Does the content of the internal control system include the following matters?</p> <p>①The policies and procedures for identifying, assessing, and managing its money laundering and terrorism financing risks, shall cover at least customers, geographic areas, products and services, transactions, or payment and delivery channels.</p> <p>②AML/CFT programs shall be adopted based on its money laundering and terrorism financing risks, and the scale of its business. And AML/CFT programs shall include the following policies, procedures, and control mechanisms in order to manage and mitigate those identified risks, and to adopt enhanced control measures on items with higher risks.</p> <p>I. Verification of customer identity.</p> <p>II. Checking of names of customers and trading counterparties.</p> <p>III. Ongoing monitoring of accounts and transactions.</p> <p>IV. Record keeping.</p> <p>V. Reporting of currency transactions above a certain</p>	<p>1. Art.4, 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</p> <p>2. FATF_1.11、18.1、18.2、18.3</p> <p>3. Art.12(1 through 3), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

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	<p>amount.</p> <p>VI. Reporting of transactions that are suspected of money laundering or terrorism financing.</p> <p>VII. Appointment of an officer to be in charge of the AML/CFT compliance matters.</p> <p>VIII. Employee screening and hiring procedures.</p> <p>IX. Ongoing employee training programs.</p> <p>X. An independent audit function to test the effectiveness of the AML/CFT systems.</p> <p>③ Are there any Monitoring and control measures for compliance with AML/CFT laws and regulations, and the standard operating procedures for implementing the AML/CFT programs, which is incorporated into its self-audit and internal audit items, and enhanced if necessary?</p> <p>※ The examiner should refer to relevant documents to see if those documents describe the firm's risk assessment methods, risk assessment items (covering at a minimum customers, geographic locations, products and services, transactions or delivery channels), detailed risk factors and definitions of risk factors, control measures, customer risk levels and classification rules, overall AML/CFT risk tolerance, and improvement mechanism when tolerance is exceeded.</p> <p>※ For detailed risk factors, the examiner should refer to the "Guidelines Governing Money Laundering and Terrorist</p>	<p>Refer to par.76, Risk Assessment, Risk-Based Approach Guidance for banking Sector, FATF</p> <p>Refer to p.19, Identification of Specific</p>

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	<p>Financing Risk Assessment and Relevant Prevention Program Development by Securities Firms.” However the securities firm may adopt part of the risk factors illustrated in the Guidelines or develop more refined detailed risk factors based on the nature, size or complexity of its business.</p>	<p>Risk Categories , FFIEC BSA/AML Examination Manual</p>
1.1.2	<p>Group-level AML/CFT program</p>	
1.1.2.1	<p>(1)Does the financial institution having foreign branches (or subsidiaries) establish a group-level AML/CFT program? The financial institution shall ensure that its foreign branches (and subsidiaries) apply AML/CFT measures, to the extent that the laws and regulations of the host countries or jurisdictions so permit, consistent with those implemented by the head office (or parent company). Does the program include the policies, procedures and controls without violating the information confidentiality laws and regulations of Taiwan and of the countries or jurisdictions where the foreign branches and subsidiaries are located?</p> <p>①Policies and procedures for sharing information within the group as required for the purposes of verifying customer identity, and money laundering and terrorism financing risk management.</p> <p>②For AML/CFT purposes, when necessary, the foreign branches (or subsidiaries) must provide customer, account, and transaction information, as required under the group-level compliance, audit, and AML/CFT functions.</p>	<p>1.Art.4, 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</p> <p>2. FATF_18.2 、 18.3</p> <p>3.Art.12(4), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of</p>

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	<p>This shall include information and analysis of unusual transactions or activities. When necessary, branches (or subsidiaries) also may be enabled to receive such information from these group-level functions.</p> <p>③Safeguards on the use and confidentiality of information exchanged, including safeguards to prevent tipping-off.</p> <p>※The examiner should check the firm’s internal rules and operating procedures in relation to its group-level AML/CFT program, risk assessment reports, examination reports of foreign financial supervisory agencies on its foreign branches or subsidiaries and related documents to determine whether the AML/CFT program contains supervision and management of ML/TF risks faced by its foreign branches and subsidiaries.</p> <p>※The examiner should check the firm’s internal rules and operating procedures for group-level information sharing to evaluate whether the scope of sharing is reasonable and check whether the customer information actually shared within the group oversteps the regulatory restrictions or the established rules. For example, if it is unlikely for a customer to carry out transactions at a foreign branch or subsidiary, the information on the customer should be excluded from the scope of sharing. However on condition that it is legal to do so, if a customer has been declined by the</p>	<p>Securities Firms</p> <p>Refer to FFIEC BSA/AML Examination Manual p.165</p> <p>Refer to par.49-50, FATF, Public Consultation on the Draft Guidance for Private Sector Information Sharing, June 17, 2017</p>

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1.1.2.2	<p>head office or parent company (or a foreign branch or subsidiary) to open an account, information on the denied account may be shared with foreign branches or subsidiaries (head office or parent company). In order to effectively assess and understand customer risk and facilitate monitoring and controlling unusual transactions within the group, information on common customers should be shared within the group, particularly regarding high-risk customers.</p> <p>❖ The examiner responsible for examining the information business of securities firms should understand the confidentiality of channels or means used by the head office or parent company and foreign branches and subsidiaries in transmitting and storing relevant information.</p> <p>(2) When the minimum requirements of the countries where its head office (or parent company) and branches (or subsidiaries) are located are different, does the branch (or subsidiary) follow the criteria which are higher? However, in case there is any doubt regarding the determination of higher or lower criteria, the determination by the competent authority of the place where the head office (or parent company) of the securities or futures business is located shall prevail. If a foreign branch or subsidiary is unable to adopt the same criteria as the head office (or parent company) due to</p>	<p>1.Art.4, 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</p>

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	<p>prohibitions of foreign laws or regulations, does the branch (or subsidiary) take appropriate additional measures to manage the risks of money laundering and terrorism financing, and make a report to the FSC?</p> <p>※ If a foreign branch or subsidiary is unable to share within the group the identity, account and transaction information of foreign customers due to local regulations, the examiner should check whether there is a legal opinion or information on local regulations available to corroborate the reason for non-compliance (including the types of information that cannot be provided). The securities firm should also describe in its AML/CFT program the foreign branches and subsidiaries that are unable to comply with the information sharing requirements, analyze the impact thereof and reflect it in its risk assessment result.</p> <p>※ The examiner should check whether the firm has established a mechanism to readily understand and supervise compliance with the local laws and regulations by its foreign branches and subsidiaries, whether necessary corrective actions are immediately</p>	<p>Financial Supervisory Commission</p> <p>2. FATF_18.3</p> <p>3. Art.12(5), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>Refer to FFIEC BSA/AML Examination Manual p.165</p>

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	<p>taken for weaknesses or deficiencies in the AML/CFT program of a foreign branch or subsidiary identified by the foreign competent authority or in self-inspection or internal audit unit, and whether the board of directors or senior management is informed based on the risk level of the weakness or deficiency.</p>	
1.1.3	3.The supervision of the board of directors and senior management	
1.1.3.1	(1)Do the board of directors and senior management understand the money laundering and terrorism financing risks, ensure the AML/CFT programs and its operation work effectively, and adopt measures to create a culture of AML/CFT compliance?	<p>1.Art.4, 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</p> <p>2.Art.12(7), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of</p>

No.	Examination Item	Legal Basis
1.1.3.2	(2)Does the board of directors of the financial institution appoint one senior officer to serve as the chief AML/CFT officer and vest the officer with full authority in coordinating and monitoring AML/CFT implementation, and ensure that he chief AML/CFT officer does not hold any concurrent posts that may have a conflict of interest with his/her AML/CFT responsibilities?	<p>Securities Firms</p> <p>1.Art.5, 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</p> <p>2. FATF_18.1</p> <p>3.Art13(1), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
1.1.3.3	(3)Does the chief AML/CFT officer report to the board of directors and supervisors (or the audit committee) about the implementation of the AML/CFT program	<p>1.Art.5, Regulations Governing Internal Audit and Internal</p>

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	<p>(including but not limited to the effectiveness of the AML/CFT program, any violations and the corrective plans, and related major compliance matters) at least every half year, and immediately report to the board of directors and supervisors (or the audit committee) if he/she discovers any material breach of AML/CFT laws or regulations?</p> <p>※ The examiner should inspect the firm's internal rules and</p>	<p>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</p> <p>2.Refer to p.158, Management and Oversight of the BSA/AML Compliance Program , FFIEC BSA/AML Examination Manual</p> <p>3.Art.13(3), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>Art.5, Regulations</p>

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1.1.3.4	<p>operating procedures to determine whether they specify the frequency by which the firm’s dedicated AML/CFT compliance unit and/or internal audit unit should report to the board of directors and senior management, and whether these units made report according to the established frequency.</p> <p>※Whether the firm’s relevant unit reports non-compliance with internal AML/CFT related rules or operating procedures or major deficiencies (including deficiencies of the overseas branches or subsidiaries) or major events (e.g. changes of domestic or foreign laws and regulations) that affect the effectiveness of anti-money laundering to the board of directors and senior management in a timely manner, analyzes causes and proposes improvement plan (including whether it is necessary to revise the AML/CFT program).</p> <p>(4)Do the domestic and foreign business units of the financial institution appoint a senior manager to act as a supervisory officer in charge of supervising the implementation of AML/CFT related matters of the business unit, and conduct self-assessment in</p>	<p>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</p> <p>Refer to p.158, Management and Oversight of the BSA/AML Compliance Program , FFIEC BSA/AML Examination Manual</p> <p>1.Art.6, Regulations Governing Internal Audit and Internal Control System of Anti-Money</p>

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	<p>accordance with “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” at least once a year?</p> <p>※ Whether the securities firm clearly defines the segregation of duties relating to AML/CFT among</p>	<p>Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission</p> <p>2.Art.22, Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets</p> <p>3.Art.14(1), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

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1.1.3.5	<p>respective business units; the examiner should spot check the actual operation to determine whether it conforms to the relevant rules. For example, when the Investigation Bureau requests customer information from the firm on a suspicious money laundering case that the Bureau is investigating, whether relevant internal rules and operating procedures specify the mechanism for re-checking the risk level of customer involved in the investigated case, are the works of replying to the Investigation Bureau and re-checking the customer risk level clearly spelled out; for detected suspicious money laundering transactions, is the division of works for related investigation works clearly specified?</p> <p>(5) Does the president of the financial institution oversee that respective units prudently evaluate and review the implementation of the AML/CFT internal control system? Do the chairman, president, chief auditor and chief AML/CFT officer jointly issue a statement on AML/CFT internal control, which shall be submitted to the board of directors for approval and disclosed on the website of the securities or futures business within three months after the end of each fiscal year, and filed via a website designated by the FSC?</p>	<p>1. Art. 6, 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</p>

No.	Examination Item	Legal Basis
		Commission 3.Art.14(4), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms
1.2	Risk assessment	
1.2.1	1. The model of risk assessment	
1.2.1.1	(1)Does the financial institution conduct appropriate measures to identify and evaluate its money laundering and terrorism financing risks, and determine specific risk assessment items based on the risk identified? Does the risk assessment items at least include customers, geographic areas, products and services, transactions, or payment and delivery channels (hereinafter referred to as “inherent risk”) ?	1.Art.4, 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 2.Art.3, the Guidelines Governing Money Laundering and

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1.2.1.2	<p>(2)Whether the securities firm adopts a different approach based on the size, complexity and nature of its business or chooses different factors in its risk assessment operation while using the same approach?</p> <p>※The examiner should inspect whether there is any deficiency in the way the securities firm conducts risk assessment. For example:</p> <p>A.Use one single indicator as the decisive factor for assigning high or low ML/TF risk.</p> <p>B. Fail to give full consideration to qualitative and quantitative factors.</p> <p>C. Assign the same risk level to businesses or products</p>	<p>Terrorist Financing Risk Assessment and Relevant Prevention Program Development by the Securities Sector</p> <p>3.Art.12(2), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

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	<p>with higher or lower inherent risk.</p> <p>※ Whether the securities firm includes appropriately internal and external information into factors to be considered in its ML/TF risk assessment. Relevant information includes but is not limited to: communication findings with relevant business units, country risk assessment result (e.g. identified high-risk lines of business), sanctioned jurisdictions or sanction lists released by international organizations or foreign governments, etc.</p>	<p>Refer to par.57, Risk Assessment, Risk-Based Approach Guidance for banking Sector, FATF</p>
1.2.1.3	<p>(3)Has the securities firm completed its first firm-wide money laundering and terrorist financing (ML/TF) risk assessment prior to 2016/07/31, and based on which, established a ML/TF risk prevention program (including risk mitigation measures to be adopted first), and periodically evaluated and updated the program thereafter?</p>	<p>Official Letter no. 1040002082 of Taiwan Securities Association</p>
1.2.2	<p>2.The risk assessment of the new products</p>	
1.2.2.1	<p>(1)Does the financial institution assess the money laundering or terrorism financing risks when launching new products or services, or engaging in new business practices (including new payment or delivery mechanisms, or use of new technologies for pre-existing or new products or business practices) ?</p>	<p>1.Art.3, Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures</p>

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1.2.2.2	(2)Whether the financial institution establishes relevant risk management measures to mitigate those identified risks?	Business and Other Financial Institutions Designated by the Financial Supervisory Commission 2. FATF_15.1、15.2 1.Art.3, 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 2. FATF_15.1、15.2
1.2.3	3. Establish risk profile and risk assessment report	
1.2.3.1	(1)Does the financial institution consider all risk factors to determine the level of overall risk when producing a risk assessment report? Does the financial institution have a risk assessment update mechanism in place to ensure that risk data are kept up-to-date? Does the	1.Art.4(2), Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering

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1.2.3.2	<p>financial institution submit the risk assessment report to the FSC for recordation, upon the completion or updating of a risk assessment report?</p> <p>(2)Does the financial institution update the assessment of the ML/TF risk profile of its own or group (including the risks of non-compliance) when there are major events or developments in the management and operations of the financial institution or group?</p> <p>✘The examiner should check the time for the securities firm to update its risk assessment report, which may include but is not limited to: when introducing a new product or service or changing existing product or service, a certain number of high-risk customers open or close an account or the firm undergoes merger and</p>	<p>and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission</p> <p>2. FATF_1.10</p> <p>3.Art.12(2), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>FATF_26.6</p> <p>Refer to p.24, Bank's Updating of the Risk Assessment, FFIEC BSA/AML Examination Manual</p>

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	<p>acquisition; the firm should describe specifically the appropriate time and frequency to update risk assessment in its internal rules and operating procedures.</p> <p>※ The examiner should check whether there is any incongruity in the overall risk assessment result. For example, the overall inherent risk is assessed as “high risk” and its control effectiveness is assessed as “weak”, but the overall risk assessment result is “medium risk.”</p> <p>※ The examiner should determine whether the firm has considered all risk factors for identified inherent risks and whether the firm determines its ML/TF risk tolerance before the adoption of any risk mitigation measure. For example, how many high-risk customers or products are acceptable to the firm? The examiner also should know if the firm evaluates whether its residual risk still exceeds its risk tolerance after it has adopted enhanced measures to manage and reduce known higher risks. (This is not a regulatory requirement. However, based on the concept of best practice, the examiner can suggest the firm to perform the aforementioned evaluation process to achieve effective ML/TF risk management).</p>	<p>Refer to par.58, Risk Assessment, Risk-Based Approach Guidance for banking Sector, FATF</p> <p>1. FATF_1.10、1.11 2. Refer to Guidance on the risk-based approach to combatting money laundering and terrorist financing, FINTRAC (Canada)</p>
1.3	Enhanced measures for higher risk customers/business	
1.3.1	1. For higher risk circumstances, does the financial institution	1. Art. 6, Regulations

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	<p>perform enhanced CDD or ongoing due diligence measures by adopting additionally at least the following enhanced measures?</p> <p>(1)Obtaining the approval of senior management before establishing or entering a new business relationship.</p> <p>(2)Taking reasonable measures to understand the sources of wealth and the source of funds of the customer; in case the source of funds is deposits, understand further the source of deposits.</p> <p>(3)Conducting enhanced ongoing monitoring of business relationship.</p>	<p>Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_1.12、10.17、10.18、19.1</p>
1.3.2	<p>2.For customers from high ML／TF risk countries or regions, does the financial institution conduct enhanced CDD measures consistent with the risks identified?</p>	<p>1.Art.6, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_1.12、10.17、10.18、19.1</p> <p>3.Art4(2), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
1.3.3	<p>3. In any of the following circumstances, does the financial institution not apply simplified CDD measures?</p> <p>(1)Where the customers are from or in countries and</p>	<p>1.Art.6 of Regulations Governing Anti-Money Laundering of Financial</p>

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	<p>jurisdictions known to have inadequate AML/CFT regimes, including but not limited to those which designated by international organizations on AML/CFT as countries or regions with serious deficiencies in their AML/CFT regime, and other countries or regions that do not or insufficiently comply with the recommendations of international organizations on AML/CFT as forwarded by the FSC.</p> <p>(2)Where there is a suspicion of money laundering or terrorist financing in relation to the customer or the transaction.</p> <p>※ The examiner should check whether each and every risk factor is scored and inherent risk factors and control effectiveness factors are scored and combined. For example, customers posing inherent risks include all types of customers (PEP, offshore company, etc.), then there should be scoring criteria for respective type of customers in terms of inherent risk and control effectiveness. If there are no quantitative criteria and the firm is not able to carry out detailed assessment, the firm should then propose an appropriate improvement plan.</p> <p>※The examiner should determine whether all control effectiveness factors considered are actually included in the internal control procedures; the examiner should spot check inherent risk factors rated as high risk</p>	<p>Institutions</p> <p>2. FATF_1.12、10.17、10.18、19.1</p> <p>3.Art.4(3), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

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	<p>(customers, geographic locations, products and services, transactions or delivery channels, etc.) to determine whether the firm has designed relevant risk mitigation measures which can be matched with the control effectiveness factors considered. If such matching cannot be done, has the firm overestimated the effectiveness of control factors?</p> <p>✘ Determine whether the firm has developed documented risk mitigation measures for higher risks identified. The examiner can refer to the following internal control measures:</p> <p>A. Are there operational weaknesses (products and services, customers and business relationships, geographic locations and other factors) that may be easily exploited by money launderers or criminals, and whether measures such as raising the approval level for account opening or transactions associated with those high-risk businesses or increasing the frequency of account and transaction monitoring are adopted to reduce risks?</p> <p>B. Let senior management understand in a timely manner the spirit of complying with AML/CFT regulations, the corrective actions against AML/CFT deficiencies and –suspicious transaction reports submission?</p> <p>C. Include compliance requirements for anti-money</p>	<p>Refer to 6.2 Risk Mitigation, Guideline 4: Implementation of a Compliance Regime, FINTRAC (Canada)</p>

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	<p>laundering and combating terrorist financing in the job description and performance evaluation of relevant employees to supervise timely the implementation of AML/CFT operation by employees; internal controls should include clear segregation of duties and authority hierarchy. For example, staff responsible for account opening does not have the authority to approve or disapprove the establishment of business relationship with a customer.</p> <p>D. Ask high-risk customers to provide additional information as basis for verifying customer identity or identifying the beneficial owner(s) of a legal person, or obtain verifiable information through other independent and reliable sources, or temporarily suspend transactions by the customer before sufficient information is obtained.</p> <p>E. Is there appropriate operating process and approval level for accepting or declining a high-risk customer to enter business relationship with the firm and are there measures for terminating the business relationship with an existing high-risk customer when the risk posed by the customer exceeds the firm's risk tolerance?</p>	
2	AML/CFT procedures and controls	
2.1	Customer Identification Program & Customer Due Diligence	

No.	Examination Item	Legal Basis
2.1.1.	1.Undertaking customer due diligence(CDD)measures	
2.1.1.1	<p>(1)Does the financial institution undertake CDD measures to identify and verify the identity of the customer, agent or beneficial owner of a customer and reject anonymous accounts or accounts in fictitious names when:</p> <p>establishing business relations with any customer(including opening non-face-to-face account);</p> <p>carrying out occasional transactions;</p> <p>there is a suspicion of money laundering or terrorist financing;</p> <p>having doubts about the veracity or adequacy of previously obtained customer identification data?</p>	<p>1.Art.3(1&2), Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2.Art.2(2), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>3. FATF_10.1 、 10.2 、 10.3 、 10.4 、 10.5 、 10.10</p>
2.1.1.2	<p>(2)In addition to know the purpose and nature of the business relations, are the CDD measures to be taken by the financial institution as follows?</p> <p>I. Identifying the customer and verifying that customer’s identity using reliable, independent source documents, data or information. In addition, a financial institution shall retain copies of the customer’s identity documents or record the relevant information thereon.</p> <p>II. Verifying that any person purporting to act on behalf of the customer is so authorized, identifying and verifying the identity of that person using reliable, independent source documents, data or information.</p>	<p>1.Art.3(4), Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_10.3 、 10.4 、 10.6 、 10.8 、 10.9 、 10.11</p> <p>3.Art.2(3), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

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2.1.1.3	<p>In addition, the financial institution shall retain copies of the person's identity documents or record the relevant information thereon.</p> <p>III. Taking reasonable measures to identify and verify the identity of the beneficial owner of a customer, including using reliable source data or information.</p> <p>(3) When the customer is a legal person, an organization or a trustee, does the financial institution understand the ownership and control structure of the customer or the trust, and obtain the following information to identify the beneficial owners of the customer and take reasonable measures to verify the identity of such persons?</p> <p>① For legal persons and organizations:</p> <p>I. The identity of the natural person(s) who ultimately has a controlling ownership interest in the legal person. A controlling ownership interest refers to owning directly and/or indirectly more than 25 percent of the legal person's shares or capital.</p> <p>II. To the extent where no natural person exerting control through ownership interests is identified or that there is doubt as to whether the person(s) with the controlling ownership interest are the beneficial owner(s), does the financial institution identify the natural person(s) (if any) exercising control of the customer through other means?</p>	<p>1. Art.3(7), Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. Art.2(7), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>3. FATF_10.10、10.11</p> <p>4. Suggested Best Practice for Securities Firms to Identify Beneficial Owners</p>

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	<p>III. Does the financial institution identify the identity of a natural person who holds the position of senior managing official if there is no natural person identified under subparagraphs above?</p> <p>② For trustees :</p> <p>Does the financial institution identify the identity of the settlor(s), the trustee(s), the trust supervisor, the beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust, or the identity of person(s) in equivalent or similar position?</p> <p>③ Unless otherwise provided in the Proviso for not applying simplified CDD measures or where the customer has issued bearer shares, is the financial institution not subject to the requirements of identifying and verifying the identity of beneficial owner(s) of a customer under the following items?</p> <p>I. a R.O.C government entity;</p> <p>II. an enterprise owned by the R.O.C government;</p> <p>III. a foreign government entity;</p> <p>IV. a public company and its subsidiaries;</p> <p>V. an entity listed on a stock exchange outside of R.O.C. that is subject to regulatory disclosure requirements of its principal shareholders, and the subsidiaries of such entity;</p> <p>VI. a financial institution supervised by the R.O.C.</p>	

No.	Examination Item	Legal Basis
2.1.1.4	<p>government, and an investment vehicles managed by such institution;</p> <p>VII.a financial institution incorporated or established outside R.O.C. that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the FATF, and an investment vehicle managed by such institution;</p> <p>VIII.a fund administered by a R.O.C. government entity;</p> <p>IX.an employee stock ownership trust or an employee savings trust.</p> <p>④For customers such as unwilling to coordinate with the routine review, refusing to provide actual beneficiaries or information about exercising the control over customers, or unwilling to explain the nature and purpose of the transaction and sources of the funds, and so on, does the financial institution temporarily suspend or terminate their business relationship with the customer?</p> <p>(4)When conducting CDD measures, does the financial institution put in place risk management systems to determine whether a customer and its beneficial owner or senior managerial officer is a person who is or has been entrusted with a prominent function by a foreign government or an international organization (hereinafter referred to as “politically exposed persons”</p>	<p>1.Art.7, Money Laundering Control Act</p> <p>2.Art.10, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>3. FATF_12.1、12.2、12.3</p>

No.	Examination Item	Legal Basis
2.1.1.5	<p>or “PEPs”) ? Before establishing business relations with those high-risk customers, does the financial institution obtain the approval from senior managers, understand the wealth and source of fund of the customers, and adopt enhanced monitoring measures continually?</p> <p>(5)Where the financial institution is unable to complete the required CDD process on a customer, should it consider filing a suspicious transaction report on money laundering or terrorist financing (STR) in relation to the customer?</p> <p>Whether the following exceptions are met and risk management is taken, when the financial institution may first obtain information on the identity of the customer and its beneficial owner(s) and complete the verification after the establishment of business relationship?</p> <p>①The ML/TF risks are effectively managed, including adopting risk management procedures with respect to the conditions under which a customer may utilize the business relationship to complete a transaction prior to verification;</p> <p>②This is essential not to interrupt the normal conduct of business with the customer;</p> <p>③Verification of the identities of the customer and its beneficial owner(s) will be completed as soon as reasonably practicable after the establishment of</p>	<p>4.Art.2(13), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>1.Art.3(9&10), Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_10.14 、 10.15 、 10.19</p> <p>3.Art.2(10), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

No.	Examination Item	Legal Basis
2.1.1.6	<p>business relationship.</p> <p>(6)A financial institution should perform its own CDD operation. However if it is otherwise permitted by law or the FSC that a financial institution may rely on third parties to perform the identification and verification of the identities of customers, agents and beneficial owners or the purpose and intended nature of the business relationship, does the financial institution bear the ultimate responsibility for CDD measures and comply with the following provisions?</p> <p>①The financial institution relying on a third party should be able to immediately obtain the necessary CDD information.</p> <p>②The financial institution should take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the CDD requirements will be made available from the third party upon request without delay.</p> <p>③The identification and verification of the identities of customers, agents and beneficial owners will be completed as soon as reasonably practicable. The financial institution shall make sure that the jurisdiction at where the third party it relies on is based has AML/CFT regulations in place that are consistent with the standards set out by the FATF.</p>	<p>1.Art.7, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_17.1</p> <p>3.Art.5, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
2.1.2	2.Watch list filtering	

No.	Examination Item	Legal Basis
2.1.2.1	<p>(1) Does the financial institution establish policies and procedures for watch list filtering using a risk-based approach?</p> <p>The policies and procedures for watch list filtering shall include at least matching and filtering logics, implementation procedures and evaluation standards, and shall be documented.</p>	<p>1. Art.8, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_17.1</p> <p>3. Art.6, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
2.1.2.2	<p>(2) Does the financial institution document its name and account filtering operations and maintain the records for a time period in accordance with Article 12 of “Regulations Governing Anti-Money Laundering of Financial Institutions” ?</p>	<p>1. Art.8&12, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_17.1</p> <p>3. Art.6, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
2.1.2.3	<p>(3) When a major case is reported in the media, does the firm pay special attention whether the alleged suspect</p>	<p>Official Letter no. 1030037571 of Bureau of</p>

No.	Examination Item	Legal Basis
2.1.2.4	<p>in the medial report is a customer and whether the firm enhances suspicious transaction reporting?</p> <p>(4)Does the internal audit unit of the financial institution test the filtering mechanism ? Does the filtering mechanism include testing for the following:</p> <p>①Whether the sanctions list and threshold settings are based on the risk-based approach.</p> <p>②Correctness and completeness of data input and corresponding fields in the system.</p> <p>③Logic of matching and screening.</p> <p>④Model validation.</p> <p>⑤Correctness and completeness of data output.</p>	<p>Securities and Futures, FSC</p> <p>Art.6, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
2.1.3	3. Enhancing due diligence for high-risk customers	
2.1.3.1	<p>(1)Does the financial institution determine the extent of applying CDD and ongoing due diligence measures using a risk-based approach (RBA)? For higher-risk customers, does the financial institution perform enhanced CDD or ongoing due diligence measures by adopting at least the following additional enhanced measures?</p> <p>①Obtaining the approval of senior management before establishing or entering a new business relationship.</p> <p>②Taking reasonable measures to understand the sources of wealth and the source of funds of the customer; in case the source of funds is deposits, understand further the source of deposits.</p>	<p>1.Art.6, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_1.12、10.17、10.18、19.1</p> <p>3.Art.4, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

No.	Examination Item	Legal Basis
2.1.3.2	<p>③ Conducting enhanced ongoing monitoring of business relationship.</p> <p>(2) For customers from high ML/TF risk countries or regions, does the financial institution conduct enhanced CDD measures consistent with the risks identified?</p>	
2.1.3.3	<p>(3) For lower risk circumstances, does the financial institution apply simplified CDD measures, which shall be commensurate with the lower risk factors? However simplified CDD measures are not allowed in any of the following circumstances:</p> <p>① Where the customers are from or in countries and jurisdictions known to have inadequate AML/CFT regimes, including but not limited to those which designated by international organizations on AML/CFT as countries or regions with serious deficiencies in their AML/CFT regime, and other countries or regions that do not or insufficiently comply with the recommendations of international organizations on AML/CFT as forwarded by the FSC.</p> <p>② Where there is a suspicion of money laundering or terrorist financing in relation to the customer or the transaction.</p> <p>※ Make sure customer due diligence (CDD) data (including enhanced due diligence (EDD)) are completely posted into the information system to</p>	<p>Refer to par.49-50, Sound Management of Risks Related to Money</p>

No.	Examination Item	Legal Basis
	<p>facilitate the monitoring and analysis of customer accounts and transactions. The examiner can spot check the CDD and EDD data of high-risk customers to determine whether information that aids in the analysis of ML/TF risks has been completely posted or captured in the information system.</p>	<p>Laundering and Financing of Terrorism, BCBS</p>
2.1.4	4. Ongoing customer due diligence	
2.1.4.1	<p>(1) Does the financial institution apply CDD requirements to existing customers on the basis of materiality and risk, and to conduct due diligence on such existing relationships (including to understand the source of funds if necessary) at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained?</p> <p>The aforementioned appropriate times include at least :</p> <p>① When the customer opens another new account or enters new business relationships with the financial institution;</p> <p>② When it is time for periodic review of the customer scheduled on the basis of materiality and risk;</p> <p>③ When it becomes known that there is a material change to customer's identity and background information.</p>	<p>1. Art.5(1&2), Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_10.7、10.16</p> <p>3. Art.3, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
2.1.4.2	(2) Does the financial institution periodically review the existing records to ensure that documents, data or	1. Art.5(3), Regulations Governing Anti-Money

No.	Examination Item	Legal Basis
2.1.4.3	<p>information of the customer and its beneficial owner(s) collected under the CDD process are kept up-to-date and relevant, particularly for higher risk categories of customers, whose reviews should be conducted at least once every year?</p> <p>(3)Ongoing due diligence measures should be commensurate with the customer’s risks</p> <p>①For higher-risk customers, does the financial institution perform enhanced CDD or ongoing due diligence measures at least one year by adopting additionally at least the following enhanced measures?</p> <p>I.Obtaining the approval of senior management before establishing or entering a new business relationship;</p> <p>II.Taking reasonable measures to understand the sources of wealth and the source of funds of the customer; in case the source of funds is deposits, understand further the source of deposits;</p> <p>III.Conducting enhanced ongoing monitoring of business relationship.</p>	<p>Laundering of Financial Institutions</p> <p>2. FATF_10.7</p> <p>3.Art.3, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>1.Art.5&6, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_1.12 、 10.17 、 10.18</p> <p>3.Art.4, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>4.Suggested Best Practice for Securities Firms to Apply Simplified CDD</p>

No.	Examination Item	Legal Basis
2.2	<p>②For lower risk circumstances, does the financial institution apply simplified CDD measures, which shall be commensurate with the lower risk factors?</p> <p>Ongoing monitoring of accounts and transactions</p>	Measures to Lower ML/TF Risk Customers
2.2.1	<p>1.Does the financial institution establish policies and procedures for account and transaction monitoring using a risk-based approach? The policies and procedures shall include at least complete ML/TF monitoring indicators, and carrying out the setting of parameters, threshold amounts, alerts and monitoring operations, the procedures for examining the monitored cases and reporting standards, and shall be documented.</p>	<p>1.Art.9, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2.Art.7(2 through 4), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
2.2.2	<p>2.Does the financial institution review its policies and procedures for account and transaction monitoring based on AML/CFT regulations, nature of customers, business size and complexity, ML/TF trends and related information gathered from internal and external sources, and its risk assessment results, and update those policies and procedures periodically?</p>	
2.2.3	<p>3.Does the financial institution utilize information system to assist in the detection of suspicious ML/TF transactions?</p>	
	<p>※ The securities firm can carry out its monitoring</p>	Refer to par.49-50,

No.	Examination Item	Legal Basis
2.2.4	<p>operation by way of manual identification, information system or a combination of both. The examiner should determine whether the firm has allocated adequate manpower to carry out the AML/CFT operation effectively.</p> <p>※The examiner should spot check high-risk customers who recently have dealing or open an account with the securities firm to see if the basic data of the same customer in different product systems (e.g. occupation, business operated, or line of business, address and financial condition) have any inconsistency and if the basic data and transaction data of the same customer in different product systems differ from the data in the integrated system to verify whether the firm integrates its customer data.</p> <p>4.Do the ML/TF monitoring indicators mentioned in the policies and procedures for account and transaction monitoring include at least the suspicious indicators published by the trade associations and the additional ones developed by the financial institution in reference to its ML/TF risk assessment or daily transaction information? Are the ML/TF monitoring indicators reviewed and updated periodically?</p>	<p>Sound Management of Risks Related to Money Laundering and Financing of Terrorism, BCBS</p> <p>Refer to p.67, Managing Alerts, FFIEC BSA/AML Examination Manual</p> <p>1.Art.9, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2.Art.7(7), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

No.	Examination Item	Legal Basis
	<p>※ The examiner should ask the securities firm to provide independent testing report, records or descriptions on its account and transaction monitoring mechanism (including whether the logic of setting parameters or filtering indicators is commensurate with the firm’s ML/TF risk profile). The examiner should also spot check high-risk customers or products and services to verify whether the firm’s account and transaction monitoring mechanism is consistent with its documented rules and operating procedures. The verification should cover at a minimum the actual internal control process, whether data stored in the system are consistent with customer’s CDD (including EDD) and complete or whether there are errors in the data entry fields, and whether transactions that match the set parameters or filtering indicators are included in related reports to verify whether parameters or filtering indicators set in the system are the same as those specified in the firm’s documented rules, and whether access authority of the monitoring system is properly set, in particular whether the change of parameter is subject to proper internal check.</p> <p>※ With regard to the testing of ongoing monitoring mechanism for accounts and transactions mentioned in the preceding paragraph, the examiner should confirm</p>	<p>1. Art.9(1), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Banking</p> <p>2. Refer to p.64,66, Transaction Monitoring, FFIEC BSA/AML Examination Manual</p> <p>3. p.77, Managing Alerts, FFIEC BSA/AML Examination Manual</p> <p>Q&A of Template for Guidelines Governing Anti-Money Laundering</p>

No.	Examination Item	Legal Basis
	<p>the suitability of testing unit that except for manual monitoring, testing should be performed by the head office if the design of monitoring mechanism throughout the firm is identical. If part of the monitoring mechanism of an overseas branch or subsidiary differs from that of the head office, the overseas branch or subsidiary should test that part on its own. The examiner should also check the relevant inspection report or internal audit report regarding to the overseas branch or subsidiary to determine the effectiveness of its ongoing monitoring mechanism.</p>	<p>and Countering Terrorism Financing of Banking</p>
2.3	Record Keeping	
2.3.1	<p>1. Does the financial institution maintain the records on its name and account filtering operations, ongoing account and transaction monitoring operation, and transactions, both domestic and international, for at least five years? Are the records sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity?</p>	<p>1.Art.8,9,12, Regulations Governing Anti-Money Laundering of Financial Institutions 2. FATF_11.1、11.3 3.Art.6, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
2.3.2	<p>2. Does the financial institution keep all records obtained through CDD measures, account files and business correspondence for at least five years after the business</p>	<p>1.Art.12, Regulations Governing Anti-Money Laundering of Financial</p>

No.	Examination Item	Legal Basis
	relationship is ended, or after the date of the occasional transaction?	Institutions 2. FATF_11.2 3. Art. 11 & 17, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms
2.3.3	3. Does the financial institution provide swiftly transaction records and CDD information to the competent authorities when such requests are made with appropriate authority? <u>Does the financial institution provide relevant account books, documents, electronic data files, or other relevant materials when the competent authorities or auditors engaged by it carry out an audit under the preceding paragraph?</u>	1. Art. 12, Regulations Governing Anti-Money Laundering of Financial Institutions 2. FATF_11.4 3. Art. 11 and 17, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms
2.3.4	4. Does the financial institution preserve complete and accurate transaction records and vouchers of the following matters? (1) Are report records and transaction vouchers preserved in the original for five years? (2) In a case duly under investigation pursuant to law, are	Art. 11(3), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms

No.	Examination Item	Legal Basis
	<p>relevant transaction records and vouchers not destroyed before the case is closed, even where the time period for their preservation lapses?</p>	
2.4	<p>Reporting of Suspicious Transactions</p>	
2.4.1	<p>1. For transactions related to the monitoring patterns (including the suspicious indicators published by the trade associations and the additional ones developed by the financial institution in reference to its ML/TF risk assessment or daily transaction information) or other situations that are deemed as suspicious ML/TF activities, does the financial institution file a suspicious transaction report (STR) with the Investigation Bureau within two business days of said approval, regardless of the amount of transaction and regardless whether the transaction was completed or not?</p> <p>✘ The examiner should determine whether the securities firm has internal rules and operating procedures in place to ensure that its monitoring system is capable of generating a suspicious transactions statement in a timely manner and to require the checking, analysis and investigation of outputted suspicious transactions, and whether the firm has a mechanism to ensure that suspicious transactions identified by employees in daily operations or investigated by a law enforcement agency as indicated in its correspondence to the firm are all included in the scope of evaluation.</p>	<p>1.Art.15, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2.Art.7(8), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>Refer to p.77, Managing Alerts, FFIEC BSA/AML Examination Manual</p>

No.	Examination Item	Legal Basis
2.4.2	<p>2. Does the firm has a mechanism to ensure that each alerted transaction identified will be reviewed for its reasonableness (for example if the transaction is incommensurate with the customers' identity, income and the size of business or is unrelated to the nature of the customer's business, no reasonable economic purpose, no reasonable explanation, no reasonable use, or the source of funds is not clear) case by case and the record will be kept?For transactions identified as not suspicious AML/CFT transactions, does the firm make a record and analyze the reason?</p> <p>※ The examiner should determine whether the securities firm has allocated adequate manpower to analyze the suspicious transactions statement and make investigation, and whether relevant employees have the skills required to conduct an investigation and are equipped with adequate tools. For example, does the investigator have sufficient system access authority to inquire all basic data or transaction records of a customer, are all CDD and EDD data of customers keyed into the system, and whether the system can retrieve all transactions of a customer taken place during a period of time?</p> <p>※ The examiner should determine whether the firm has internal rules and operating procedures in place for analysis, investigation and reporting of suspicious</p>	<p>Art.7(8), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>Refer to p.77, Managing Alerts, FFIEC BSA/AML Examination Manual</p> <p>Art.9(1)8, Template for Guidelines Governing Anti-Money Laundering</p>

No.	Examination Item	Legal Basis
	<p>transactions, which should include at a minimum written analysis and reason for deciding not to file a suspicious transaction report (STR), supporting evidence to be investigated and attached, and actions to be taken on a customer whose transactions have been reported as suspicious several times.</p> <p>※ When verifying the firm’s handling of suspicious transactions, the examiner should spot check individual customer cases to determine whether the firm makes judgment on the reasonableness of a customer’s transaction based on all available customer review information (CDD and EDD), whether there is a written analysis sufficient to support the final decision on a suspicious transaction (to file or not to file a STR), and regardless whether a transaction is determined to be a suspicious transaction or not, does the firm retain the records on analysis and judgment made and supporting data.</p> <p>※ Whether a securities firm files a STR or not is partly predicated on the subjective judgment of the AML/CFT compliance officer. Thus the examiner should put the focus on whether the firm has established an effective judging and investigation mechanism. Unless the firm’s failure to file a STR following analysis and investigation involves gross negligence or the supporting data are apparently erroneous that affects</p>	<p>and Countering Terrorism Financing of Banking</p> <p>Art.9(1)8, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Banking</p>

No.	Examination Item	Legal Basis
	<p>the analysis and judgment of AML/CFT compliance officer, the examiner should not criticize the subjective judgment made by the officer.</p> <p>※ Whether the securities firm has the practice of adjusting parameters or filtering indicators in coordination with its current manpower or other factors to decrease the number of suspicious transactions or transaction alerts that the information monitoring system can output, thereby undermining the effectiveness of the firm’s AML/CFT program. Below are the procedures for verifying effectiveness:</p> <p>A. Select a sample of high-risk customers based on the firm’s risk assessment result, prior examination reports, the firm’s internal audit report and correspondence from law enforcement agencies regarding investigation of customers who may be involved in a ML/TF transaction, and peruse their account opening data, customer review data (CDD and EDD), and all transactions during a period of time.</p> <p>B. After checking relevant data, the examiner should select a sample of suspicious transactions to see if the nature of transaction is consistent with the customer’s CDD information (e.g. occupation, expected transactions, sources of fund of individual customers, or the business of the legal entity, size of</p>	<p>Refer to p.78-79, Transaction Testing, SAR Completion and Filing FFIEC BSA/AML Examination Manual</p>

No.	Examination Item	Legal Basis
2.4.3	<p>business, business location and major markets, etc.).</p> <p>If there is any inconsistency, the examiner should discuss with responsible management to see if a suspicious transaction has a reasonable explanation, and based on the explanation, determine whether the firm has failed to output reportable suspicious transactions and whether the firm's relevant system is able to effectively detect suspicious transactions. If the examiner has doubt about the system's effectiveness, he/she should understand the causes (e.g. improperly set screening indicators, inadequate risk assessment, or error in the judgment of relevant personnel), and describe the findings in the examination report.</p> <p>3.If the financial institution forms a suspicion of money laundering, terrorist financing or weapon proliferating and reasonably believes that performing the CDD process will tip-off the customer, does it not pursue that process and file an STR instead?</p>	<p>1.Art.3, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2. FATF_10.20</p> <p>3.Art.10, Money Laundering Control Act</p> <p>4.Art.2(14), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of</p>

No.	Examination Item	Legal Basis
2.4.4	<p>4.Procedure for reporting suspicious money laundering transaction</p> <p>(1)Does a financial institution promptly file an STR with the Investigation Bureau in a format prescribed by the Bureau after the report has been approved by the responsible chief compliance officer at the institution? The report shall be filed within two business days of said approval. Within 15 days, following the last date of previous fiscal year, the items of transaction typology and quantity of the suspicious money laundering transaction shall be submitted to the FSC for review and also copies forwarded to the Taiwan Securities Exchange and Taiwan Securities Association.</p> <p>(2)For obviously significant suspicious ML/TF transactions of urgent nature, does the financial institution file a report as soon as possible to the Investigation Bureau by fax or other available means and follow it up with a written report? The financial institution is not required to submit a follow-up written report, provided the Investigation Bureau has acknowledged the receipt of report by sending a reply by fax. In such event, does the financial institution retain the faxed reply?</p>	<p>Securities Firms</p> <p>1.Art.15, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>2.Art.7(8)&8(3), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>3. FATF_20.1、20.2</p>
2.4.5	5. Does the financial institution exercise care in preserving	1.Art.9, Regulations

No.	Examination Item	Legal Basis
2.4.6	<p>confidentiality, and guard against the disclosure of reporting materials and information? Does the financial institution establish internal control procedures for requests and inquiries as to customer information made by various units and exercise care to ensure the confidentiality of the information?</p> <p>6. When learning the properties or property interests and locations of a designated sanctioned individual or entity set forth in the Terrorist Financing Prevention Act through business relationship, has the firm filed a report to the Investigation Bureau, Ministry of Justice in accordance with the aforementioned Act?</p>	<p>Governing Anti-Money Laundering of Financial Institutions</p> <p>2.Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>3. FATF_21.2</p> <p>1.Art.7, Terrorism Financing Prevention Act</p> <p>2.Art.3, Regulations Governing Reporting on the Properties or Property Interests and Locations of Designated Sanctioned Individuals or Entities by Financial Institutions</p> <p>3.Art.9, Template for Guidelines Governing Anti-Money Laundering and</p>

No.	Examination Item	Legal Basis
2.5	Reporting of cash transactions above a certain amount	Countering Terrorism Financing of Securities Firms
2.5.1	<p>1. With respect to cash transactions above a certain amount, does the financial institution verify the identity of the customer and keep relevant transaction records? The financial institution shall conduct CDD measures in accordance with the following provisions:</p> <p>(1) Check the identity (ID) document or passport provided by the customer and record the customer’s name, date of birth, address, telephone, account number, amount of transaction, and ID number. Notwithstanding the foregoing, in case that the customer is confirmed to be exactly the accountholder, it should be clearly noted in the transaction record rather than undertaking a repeated ID verification.</p> <p>(2) If the transaction is conducted by an agent, check the identity of the agent by checking his or her ID document or passport and record the name, date of birth, address, and telephone of the agent, account number, amount of transaction, and ID number.</p> <p>(3) For occasional transactions, verify the identity of the customer in accordance with Subparagraph 4 of Article 3 of “Regulations Governing Anti-Money Laundering of Financial Institutions”.</p>	<p>1. Art.9, Money Laundering Control Act</p> <p>2. Art.13&14, Money Laundering Control Act</p> <p>3. Art.10, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

No.	Examination Item	Legal Basis
2.5.2	<p>2. With respect to cash transactions above a certain amount, does the financial institution report the transaction to the Investigation Bureau via electronic media or a written report in 5 business days after the completion of transaction?</p>	<p>1. Art.9, Money Laundering Control Act 2. Art.13&14, Money Laundering Control Act 3. Art.10, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
2.5.3	<p>3. With respect to the cash transactions above a certain amount on which the financial institution is not required to file a report, does the financial institution verify the identity of the customer and keep the transaction records? Nonetheless, if the financial institution discovers that any above transaction is suspiciously similar to a money laundering transaction, does it follow the provisions of Article 10 of “Money Laundering Control Act” and of “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”?</p> <p>※ If the securities firm relies on system output of all</p>	<p>1. Art.9, Money Laundering Control Act 2. Art.13&14, Money Laundering Control Act 3. Art.10(5), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms Art.13&14, Money</p>

No.	Examination Item	Legal Basis
	<p>large cash transactions and then manually picks reportable transactions, the examiner should spot check transactions taken place during a period of time to determine whether the manually picked non-individual accounts which need not be reported are all accounts of department stores, supermarkets, gas stations, hospitals, transportation businesses and restaurants and hotels that are on a list the firm has sent to the Investigation Bureau for record, and determine whether the firm has established an internal control mechanism to ensure the accuracy of manual pick operation.</p> <p>※ Does the firm have the situation of reporting a large cash transaction late? If there is, the examiner should understand the reasons and make pertinent comments in the examination report.</p>	<p>Laundering Control Act</p> <p>Art.13, Money Laundering Control Act</p>
<p>3</p> <p>3.1</p> <p>3.1.1</p>	<p>Management system & organization</p> <p>AML/CFT responsible unit and Chief officer</p> <p>1. Does the financial institution appoint an adequate number of AML/CFT personnel appropriate to the size and risks of its own?</p>	<p>1.Art.5, Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other</p>

No.	Examination Item	Legal Basis
	<p>※ The examiner should make an overall judgment whether the securities firm has allocated adequate AML/CFT compliance personnel and resources based on the firm’s risk profile, size, business characteristics, matters charged by the dedicated compliance unit, information system, database and training program that may be needed to assist in the detection of unusual transactions.</p>	<p>Financial Institutions Designated by the Financial Supervisory Commission 2.Art.13, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms Refer to p.37, BSA Compliance Officer, FFIEC BSA/AML Examination Manual</p>
3.1.2	<p>2.Deploying an adequate number of AML/CFT personnel of the overseas business unit</p> <p>(1)Does the overseas business unit of the financial institution be staffed with an adequate number of AML/CFT personnel in view of the number of local branches, and the size and risks of its business?</p> <p>(2)Does the financial institution appoint an AML/CFT officer to take charge of the coordination and</p>	<p>1.Art.5, Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures</p>

No.	Examination Item	Legal Basis
3.1.3	<p>supervision of AML/CFT matters? The appointment of an AML/CFT officer by an overseas business unit of a securities or futures business shall comply with the local regulations and the requirements of the local authorities of the host jurisdiction. If the AML/CFT officer holds other concurrent posts, the foreign business unit should communicate that fact with the local competent authority to confirm that the holding of other concurrent posts will not likely result in any conflict of interest, and report the matter to the FSC for recordation.</p> <p>3. Does the chief AML/CFT officer be charged with the following duties?</p> <p>(1)Supervising the planning and implementation of policies and procedures for identifying, assessing, and monitoring money laundering and terrorism financing risks.</p> <p>(2)Coordinating and supervising the implementation of business-wide money laundering and terrorism financing risk identification and assessment.</p> <p>(3)Monitoring and controlling money laundering and terrorism financing risks.</p> <p>(4)Developing an AML/CFT program.</p> <p>(5)Coordinating and supervising the implementation of AML/CFT program.</p> <p>(6)Confirming compliance with AML/CFT laws and</p>	<p>Business and Other Financial Institutions Designated by the Financial Supervisory Commission</p> <p>2.Art.13, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>1.Art.5, 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</p> <p>2.Art.13, Template for Guidelines Governing</p>

No.	Examination Item	Legal Basis
	<p>regulations, including relevant compliance templates or self-regulatory rules produced by the financial services trade association to which the securities or futures business belongs and approved by the FSC.</p> <p>(7)Supervising the reporting on transactions suspected of money laundering or terrorism financing, and on the properties or property interests and locations of individuals or entities designated by the Terrorism Financing Prevention Act, to the Investigation Bureau, Ministry of Justice.</p> <p>※The examiner should examine whether the securities firm’s internal rules and operating procedures for AML/CFT clearly specify matters charged by the dedicated compliance unit and the chief AML/CFT compliance officer; the examiner should also check the relevant delegation of authority table to confirm the authority of the officer and understand the actual operation and whether there is the practice of assigning a unit or officer other than the dedicated compliance unit or chief AML/CFT compliance officer to take charge of the related matters.</p> <p>3.1.4 4.Does the chief AML/CFT compliance officer understand ML/TF risks associated with the firm’s products and services, customers, geographic factors, transactions or delivery channels, and have sufficient professional knowhow?</p>	<p>Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p> <p>Refer to p.32, BSA Compliance Officer, FFIEC BSA/AML Examination Manual</p> <p>Refer to p.32, BSA Compliance Officer, FFIEC BSA/AML Examination Manual</p>

No.	Examination Item	Legal Basis
3.1.5	5. On the tasks of money laundering prevention, does any individual who is in charge of regulation compliance, or internal audit, or money laundering prevention promptly require customer information and his transaction record (information confidentiality still matters.)?	Art.8, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms
3.1.6	6.For the Taiwan branch office of a foreign securities or futures business, does its board of directors at the head office authorize the responsible person at the Taiwan branch to be in charge of the matters involving the board of directors or supervisors, as stated in these Directions to follow “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”? Is the statement for AML/CFT internal control provided by three persons (including the responsible person of the Taiwan branch authorized by the board of directors of the head office, the chief AML/CFT officer, and the chief auditor in charge of the Taiwan area)?	1. Art.6, 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 2.Art.14(5), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms

No.	Examination Item	Legal Basis
3.2	Duties of the internal audit unit	
3.2.1	<p>1.Does the internal audit unit of the financial institution audit the following matters and submit audit opinions?</p> <p>A.Whether the money laundering and terrorism financing risk assessment and the AML/CFT program meet the regulatory requirements and are vigorously implemented.</p> <p>B.The effectiveness of the AML/CFT program.</p> <p>C.Tests of filtering mechanism.</p>	<p>1.Art.11, 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</p> <p>2. FATF_18.1</p> <p>3.Art.12&14, Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
3.2.2	<p>2. Does the audit office, whenever noticing a defect or fault by any units in the enforcement of the management measures, report the cases to the assistant general manager or person of the equivalent rank? Are such cases provided</p>	<p>Art.14(3), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism</p>

No.	Examination Item	Legal Basis
3.2.3	<p>for reference in the on-the-job educational & training programs of the firm?</p> <p>3.Does the competent unit impose appropriate sanctions to the auditor, in the event that the auditor is found having willfully concealed disclosing any detected irregularities?</p>	<p>Financing of Securities Firms</p> <p>Art.14(3), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
3.3	Employee hiring and training	
3.3.1	<p>1.Does the financial institution establish procedures to ensure high standards for employee screening and hiring, including examining whether the prospective employee has integrity of character and the professional knowledge required to perform their duties, especially on any potential conflict of interest between employees and their duties of the implementation of prevention and control of money laundering and combating the financing of terrorism?</p>	<p>1.Art.5&7, 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</p> <p>2. FATF_18.1</p> <p>3.Art.15(1), Template for Guidelines Governing Anti-Money Laundering</p>

No.	Examination Item	Legal Basis
3.3.2	<p>※ The examiner should check the securities firm’s internal rules and operating procedures for employee screening and hiring; with regard to passive criteria, does the firm confirm that the background of an employee will not impede his/her duties in AML/CFT operation. The firm can establish different screening and hiring criteria for employees at different positions based on the ML/TF risk associated with their duties. Those criteria include but are not limited to: whether the employee comes from a high-risk or sanctioned jurisdiction or has a criminal record on ML/TF related offense. With regard to positive criteria, does the firm determine whether the employee has adequate professional knowledge required to perform his/her AML/CFT duty?</p> <p>2.Do the personnel of the dedicated AML/CFT unit, the chief AML/CFT officer, and the domestic-business-unit AML/CFT supervisory officer, of the financial institution meet one of the following qualification requirements within 3 months after appointment, and the securities or futures business shall adopt relevant control mechanisms to ensure compliance:</p> <p>(1)Having served as a compliance officer or AML/CFT personnel on a full-time basis for at least 3 years.</p>	<p>and Countering Terrorism Financing of Securities Firms</p> <p>par.80-81, Vetting, recruitment and Remuneration, Risk-Based Approach Guidance for banking Sector, FATF</p> <p>1.Art.7, Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other</p>

No.	Examination Item	Legal Basis
	<p>(2)The personnel of the dedicated AML/CFT unit, and the chief AML/CFT officer shall have attended not less than 24 hours of courses organized by an institution recognized by the competent authority, passed the exams and received completion certificates therefor.</p> <p>The AML/CFT supervisory officer of domestic business units shall have attended not less than 12 hours of courses organized by an institution recognized by the competent authority, passed the exams and received completion certificates therefor. A chief compliance officer concurrently holding the post of chief AML/CFT officer, or a compliance personnel concurrently holding a post as a personnel of the dedicated AML/CFT unit will be deemed to have met the qualification requirements under this item after having attended 12 hours of education and training organized by an institution recognized by the competent authority.</p> <p>(3)Having received a domestic or international AML/CFT professional certificate issued by an institution recognized by the competent authority.</p>	<p>Financial Institutions Designated by the Financial Supervisory Commission</p> <p>2. FATF_18.1</p> <p>3.Art.15(2), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>
3.3.3	<p>3.Does the financial institution arrange appropriate hours of education and on-the-job training of suitable contents on AML/CFT in view of the nature of its business for the following persons?</p> <p>(1)The AML/CFT personnel and the chief AML/CFT</p>	<p>1.Art.6, Money Laundering Control Act</p> <p>2.Art.7, Regulations Governing Internal</p>

No.	Examination Item	Legal Basis
	<p>officer of a securities or futures business and the AML/CFT supervisory personnel of its domestic business units shall at least attend 12 hours of AML/CFT training organized by internal or external training institutions approved by the chief officer every year. The training shall cover at least newly amended laws and regulations, and trends and patterns of money laundering and terrorism financing risks. If the person has obtained a domestic or international AML/CFT professional certificate issued by an institution recognized by the FSC in a given year, the certificate may be used to offset the training hours for the year.</p> <p>(2)The AML/CFT supervisory officer and the AML/CFT officer and personnel of foreign business units of a securities or futures business shall have expertise in anti-money laundering, and be familiar with relevant local laws and regulations, and shall at least attend 12 hours of training on AML/CFT offered by foreign competent authorities or relevant institutions. If no such training is available, the personnel may attend training courses offered by internal or external training institutions approved by the chief AML/CFT officer.</p> <p>(3)The financial institution shall arrange appropriate hours of education and on-the-job training of suitable contents on AML/CFT in view of the nature of its business for its directors, supervisors, general managers, legal</p>	<p>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</p> <p>3. FATF_18.1</p> <p>4.Art.14(3 through 5), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms</p>

No.	Examination Item	Legal Basis
3.3.4	<p>compliance personnel, internal auditors, and associated persons to familiarize them with their AML/CFT duties and equip them with the professional knowhow to perform their duties.</p> <p>4.If employees meet one of the following descriptions, does the financial institution examine the affairs that they are responsible for by sampling and, if necessary, may seek assistance from internal audit unit?</p> <p>(1)Employees have luxury lifestyle that is inconsistent with their salary.</p> <p>(2)Employees have scheduled for leave but do not take the leave without a reason.</p> <p>(3)Employees fail to explain the large amount inflow or outflow in their account.</p>	<p>Art.15(6), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Banking</p>
3.3.5	<p>5. Whether the securities firm arranges different training programs for employees facing different ML/TF risks; whether the training covers laws and regulations set forth by the competent authorities, the firm’s relevant rules and operating procedures, internal violation cases, and disciplinary actions imposed by competent authorities against the firm; and are regulations newly promulgated by competent authorities and revisions of internal rules and operating procedures in response to regulatory changes included in the training program whenever it is deemed fit?</p>	<p>Art.15(7), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Banking</p>
3.3.6	<p>6.Are the annual AML/CFT internal training programs and</p>	<p>Official Letter no.</p>

No.	Examination Item	Legal Basis
3.3.7	<p>training results reported to the board of directors periodically?</p> <p>7.Is the national ML/TF risk assessment report identified as issues of predicate offences, anti-corruption, anti-weapon proliferation and whistleblower protection in AML/CFT training courses?</p> <p>Are the AML/CFT chief officer and personnel participating in the annual training courses at least one-half of the hours held by the law enforcement agencies, the training institutions recognized by FSC, Taiwan Securities Association, securities and futures peripheral organizations, the Taiwan Financial Services Roundable, and FSC?</p>	<p>1080315619 of the SFB</p> <p>Official Letter no. 1080315619 of the SFB</p>
4	Strengthen inspection of the specific matters	
4.1	Securities brokerage business	
4.1.1	1. Account opening and knowing your customer	<p>1. Art.2&34, Regulations Governing Securities Firms</p> <p>2. Art.2,3&6, Taiwan Stock Exchange Corporation Regulations Governing Brokerage Contracts of Securities Brokers ; Art.75 through 77-6, Operating Rules of the</p>

No.	Examination Item	Legal Basis
4.1.1.1	(1) Are the clauses of the customer account agreement for brokerage trade comprehensive? Are there proper controls for account opening operation?	Taiwan Stock Exchange Corporation 3.Art.43 through 47, Taipei Exchange Rules Governing Securities Trading on the TPEX
4.1.1.2	(2) For accounts opened by individuals who do not reside or work in the firm's service area or when a same person places orders successively through several accounts, does the firm check the reasons and continuously track the transactions of the account so as to eliminate nominee accounts?	
4.1.1.3	(3) Is a uniform format used for creating the datafile on basic customer data to facilitate inquiries of correlated accounts in the future?	
4.1.2	2. Control of dummy/nominee accounts	
4.1.2.1	(1) For multiple accounts that have the same mailing address, contact phone number or authorize a same person to place orders, does the firm check the relationships of those accounts and pay attention to the transaction patterns of those accounts?	Art.2, Regulations Governing Securities Firms

No.	Examination Item	Legal Basis
4.1.2.2	(2) When the firm takes inventory of dormant accounts and decides to cancel a customer account, does the firm notify the customer by means of certified mail and save record on the notice?	1. Official Letter no. 0990011045 of the FSC. 2. Official Letter no. 0990008130 of the Taiwan Stock Exchange Corporation. 3. Official Letter no. 0990007285 of the TPEX
4.1.2.3	(3) Has the firm implemented relevant management measures for account opening, credit checking, brokerage trade, settlement and anti-money laundering operations, and informed customers of the possible legal responsibility of an account holder?	Official Letter no. 09600139322 of the FSC
4.2	Securities underwriting business	
4.2.1	1. Does the financial institution obtain declarations from bidders affirming that they meet the eligibility requirements for purchasers?	Art.43,43-1, Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms
4.2.2	2. When conducting an underwriting case involving an initial listing on a stock exchange or an OTC market or an initial offering of Taiwan Depository Receipts, does the underwriter refuse bids involving the participation of any of the parties listed in the follows:	Art.43-1, Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities

No.	Examination Item	Legal Basis
	<p>(1) An employee of the issuer.</p> <p>(2) A director, supervisor, or managerial officer (or a spouse, son, or daughter thereof) of a company that has underwriting business dealings with an underwriter.</p> <p>(3) A financial holding company to which an underwriter itself belongs, or another subsidiary of such a financial holding company; however, this restriction does not apply to a securities investment trust fund offered by a securities investment trust company belonging to such a financial holding company.</p> <p>(4) A director, supervisor, or managerial officer (or a spouse, son, or daughter thereof) of a financial holding company to which an underwriter itself belongs, or of another subsidiary of such a financial holding company.</p> <p>(5) A de facto related party of the issuer or an underwriter.</p> <p>(6) An attesting CPA of the issuer, any other CPA of that CPA's office, or a spouse thereof.</p> <p>(7) A lawyer who has issued a legal opinion in connection with the underwriting case, or the spouse thereof.</p> <p>(8) An equity-method investee of the issuing company (issuing institution).</p> <p>(9) An investor that has equity-method investments in the issuing company (issuing institution).</p> <p>(10) A company whose chairman or general manager is the same person as the chairman or general manager of the issuing company (issuing institution), or is the spouse</p>	Firms

No.	Examination Item	Legal Basis
	<p>thereof, or is a relative thereof within the second degree of kinship.</p> <p>(11)A foundation that has received one-third or more of its paid-in endowment from the issuing company (issuing institution).</p> <p>(12)The issuing company's (issuing institution's) directors, supervisors, general manager, assistant general manager(s), deputy assistant general managers, or any division officer serving directly under the general manager.</p> <p>(13)The spouse of a director, a supervisor, or the general manager of the issuing company (issuing institution).</p> <p>(14)A relative within the second degree of kinship of a director, a supervisor, or the general manager of the issuing company (issuing institution).</p> <p>(15)A director, supervisor, or employee of the underwriting syndicate, or a spouse thereof, or a relative thereof within the second degree of kinship.</p> <p>(16)A depository institution of Taiwan depository receipts and any director, supervisor, or managerial officer, employee (or a spouse, son, or daughter thereof) of the depository institution.</p> <p>(17)A party listed in any of the preceding subparagraphs that uses the name of another party to participate in subscription (i.e. a de facto related party that engages in any of the acts set out under Article 2 of the Securities</p>	

No.	Examination Item	Legal Basis
4.3	and Exchange Act Enforcement Rules). Wealth management business	
4.3.1	1.Do working procedures adopted by the financial institution for "Know Your Customer" evaluating rules be tailored to the characteristics of each different type of business, and at least include the following?	Art.13, Directions for the Conduct of Wealth Management Business by Securities Firms
4.3.1.1	<p>(1)Customer acceptance and account opening</p> <p>①Procedures for opening customer accounts and the minimum dollar amount and conditions required to enter into the business relationship, and the circumstances in which the financial institution may refuse to do business or to accept a customer. Stricter due diligence and approval procedures shall be in place for higher risk individuals of specific backgrounds or professions, and family members thereof.</p> <p>②Procedures for building basic information on the customer, including customer identity and basic background information, customer credit information, wealth management needs and goals, and other information relating to the customer's credit standing, profession engaged in and source of assets (describe in detail the economic activities that produced the wealth), and verification of the information provided by the customer.</p> <p>③In a situation where a customer authorizes another</p>	

No.	Examination Item	Legal Basis
4.3.1.2	<p>person to sign and open an account on his or her behalf, additional evaluation shall be conducted on such authorized representative and the beneficiary shall be identified.</p> <p>(2)Evaluation of customer's investment capacity</p> <p>Does evaluation of a customer's investment capacity and acceptance of a customer's mandate take the following information into overall consideration as well as the approval procedures for large transactions of over a certain dollar amount?</p> <p>①The customer's fund utilization status and professional competence.</p> <p>②The customer's investment attributes, understanding of risk, and risk tolerance.</p> <p>③Suitability of customer services, suitable range of investment recommendations, or suitable transaction amounts.</p>	
4.3.1.3	<p>(3)Updating of customer evaluation materials</p> <p>①The financial institution shall update customer information in a timely manner, and closely monitor any change in a customer's financial position.</p> <p>②The evaluation of a customer's investment ability and the acceptance of transactions shall be reviewed and revised in light of any changes in a customer's information and other relevant supporting materials.</p>	
4.3.1.4	<p>(4)Verification of the customer information and customer</p>	

No.	Examination Item	Legal Basis
4.3.2	<p>investment capacity evaluation</p> <p>The financial institution shall designate personnel other than those involved in handling wealth management business, or other independent control personnel, to perform regular audits of the customer files for accuracy, consistency, and completeness.</p> <p>2. When selling products, does the financial institution provide a risk disclosure statement to the customer, and ask the customer to provide written confirmation that he or she understands the product risks? Does the financial institution implement a check procedure to confirm whether a customer is involved in money laundering or unlawful transactions, and furnish a written report of confirmation?</p>	Art.16(1), Directions for the Conduct of Wealth Management Business by Securities Firms
4.3.3	<p>3. In formulating various rules and procedures for wealth management business, does the financial institution strengthen money laundering prevention measures in accordance with “Money Laundering Control Act” and related provisions, and provide money laundering prevention education and training program to wealth managers, internal auditors, and legal compliance personnel, including regular training sessions focusing on how to identify and track unusual and suspicious transactions?</p>	Art.18, Directions for the Conduct of Wealth Management Business by Securities Firms
4.3.4	<p>4. When the financial institution conducts wealth management business, does the person in charge of its</p>	Art.19(3), Directions for the Conduct of Wealth

No.	Examination Item	Legal Basis
	<p>legal compliance department be responsible for planning and surveillance of relevant money laundering control matters, and report to the board of directors at least once annually on the status of implementation of related work by the business department?</p>	<p>Management Business by Securities Firms</p>
4.3.5	<p>5.Does the financial institution conducting wealth management business continually upgrade its management information system in response to the development and complexity of the business, including filing and updating customer information in a timely manner and monitoring customer accounts for any unusual or suspicious transactions?</p>	<p>Art.21, Directions for the Conduct of Wealth Management Business by Securities Firms</p>
4.3.6	<p>6.Discretionary investment business</p>	
4.3.6.1	<p>(1)Does the financial institution keep a close and frequent contact with customers during the term of the discretionary investment agreement period; also, be aware of customer's financial status and undertake an interview at least once in a year to update or supplement customer's profile for reference when investigating suspected money-laundering?</p>	<p>Art.9(1)10, Template for Anti-Money Laundering and Countering Terrorism Financing Guidelines for securities investment trust and consulting business</p>
4.3.6.2	<p>(2) For discretionary investment, does the company fully verify the customer's financial status in accordance with the data provided in customer's profile, and require the customer to provide supporting documents or to perform investigation on site if necessary? If the discretionary investment is obviously incommensurate</p>	<p>Art.4(1)14, Template for Anti-Money Laundering and Countering Terrorism Financing Guidelines for securities investment trust and consulting business</p>

No.	Examination Item	Legal Basis
	<p>with the customer's status or income, or, if the source of fund cannot be identified, special attentions shall be paid to the suspicious activities of money laundering.</p>	
4.4	Offshore Securities Branches	
4.4.1	<p>1. Customer due diligence (CDD)</p> <p>Except for applying simplified CDD measures commensurate with the customer risk to customers posing lower ML/TF risk based on risk-based approach, has the securities firm obtained or verified relevant documents, data or information of the other customers in accordance with the following rules?</p>	<p>1.Art.13-1, Regulations Governing Offshore Securities Branches</p> <p>2.Suggested Best Practice for Securities Firms to Apply Simplified CDD Measures to Lower ML/TF Risk Customers</p>
4.4.1.1	<p>(1) Offshore individuals</p> <p>①Obtain the name, gender, nationality, occupation, date of birth, domicile, mailing address, telephone number, identity document (including type of document and number); if there is an agent, obtain the name and identity document (including type of document and number) of the agent.</p> <p>②Verify at least two identification documents, including valid passport, valid identity document with photograph issued by a government agency, driver's license with photograph or other documents with photograph issued by a government agency that confirm holder's identity and nationality, place of origin or place of permanent residence.</p>	

No.	Examination Item	Legal Basis
4.4.1.2	<p>③ In view of the level of risk the customer poses, obtain a reply signed by the customer to a correspondence sent by the firm to the address provided by the customer or conduct phone interview, onsite visit or other identity verification measures.</p> <p>(2) Offshore legal entity</p> <p>① Obtain the full name, incorporation date and place, registration or incorporation number, address at the place of incorporation, address of principal business place, telephone number, and name and identity document (including type of document and number) of representative and authorized person.</p> <p>② Verify the following documents to confirm that the legal entity is still lawfully incorporated and is not dissolved, liquidated, closed for business or having name removed, which may not be an undertaking signed by the customer:</p> <p>I. Certificate of Incorporation issued by the registration agency at where the legal entity is incorporated;</p> <p>II. Articles of incorporation;</p> <p>III. Certificate of Incumbency issued by the registered agent at where the legal entity is incorporated within the last six months; and</p> <p>IV. Certificate of Good Standing issued by the</p>	

No.	Examination Item	Legal Basis
4.4.1.3	<p>registration agency at where the legal entity is incorporated within the last six months or that remains valid; Certificate of Good Standing is not required if the Certificate of Incumbency mentioned in the preceding item states that the legal entity is in good standing.</p> <p>③ Understand the nature of customer's business and obtain the list of its directors and shareholders to identify its ownership structure and control structure and confirm its beneficial owners.</p> <p>④ In view of the level of risk the customer poses, obtain a reply signed by an authorized signatory of the customer to a correspondence sent by the firm to the address provided by the customer or conduct phone interview, onsite visit or other identity verification measures.</p> <p>(3) Are the aforementioned rules included in the firm's internal control and audit system and implemented accordingly?</p>	
4.4.2.1	<p>2. Has the firm's offshore securities unit (OSU), before December 31, 2017, re-performed CDD and reviewed the level of risk on customers existing before August 18, 2017? However, offshore securities unit shall re-perform CDD immediately in the event of the following situations:</p> <p>(1) The OSU has doubts about the veracity of customer information, such as there is a suspicion of money</p>	<p>Art.13-1, Regulations Governing Offshore Securities Branches</p>

No.	Examination Item	Legal Basis
	<p>laundering in relation to that customer, or there is a material change in the way that the customer’s account is operated which is not consistent with the customer’s business profile.</p>	
4.4.2.2	(2) It is time for periodic update of customer identity information.	
4.4.3	3. If the OSU relies on the assistance of an overseas institution or professional (referred to as the “intermediary” below) to perform CDD on offshore customers, does the OSU comply with the following rules:	1. Art.13-2, Regulations Governing Offshore Securities Branches
4.4.3.1	(1) The OSU has entered into a service agreement with the intermediary, specifying the scope of assistance provided for CDD measures and appropriate measures for customer data confidentiality and record-keeping, and clearly assigning the rights and responsibilities of each party. The intermediary shall keep records of the assistance measures it carries out, and shall be able, whenever requested by the OSU, to promptly provide any documents or information obtained in assisting the performance of CDD.	2. FATF_17.1
4.4.3.2	(2) The OSU shall use a risk-based approach to audit and supervise, regularly and from time to time, the intermediary's execution of assistance in CDD measures and its use, processing, and management of customer data. The OSU may engage external institutions to conduct related auditing.	

No.	Examination Item	Legal Basis
4.4.3.3	(3)The implementation plan for hiring intermediaries to perform CDD on offshore customers and the list of intermediaries shall be reported to the FSC.	
4.4.3.4	(4) The content of implementation plan shall include at a minimum the scope of CDD performed by an intermediary and intermediary’s internal control system for the confidentiality and maintenance of customer data.	
4.4.3.5	(5)The OSU should review the results of CDD performed by intermediaries and bear the ultimate responsibility for the CDD process and data maintenance.	
4.4.4	4. The OSU should pay attention to the following when accepting the opening of new accounts:	Art.13-3, Regulations Governing Offshore Securities Branches
4.4.4.1	(1) The OSU may not refer its onshore customers to agencies who assist in setting up offshore companies, or induce or assist onshore customers to switch their identity to non-resident status in order to open an account at the OSU.	
4.4.4.2	(2) The OSU should enhance its understanding of the purpose of a customer opening an account, intended use of the account and expected transaction activities. Where the shareholders, directors or beneficial owners of an offshore legal entity customer include onshore individuals or legal persons, the OSU should obtain a customer statement declaring that it did not switch to	

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4.4.4.3	<p>non-resident status under inducement or for investment in specific products.</p> <p>(3) The OSU should establish a concrete and viable internal control system for matters specified in the preceding paragraph and implement the system after reporting to the board of directors for approval.</p>	
4.5	Online Open Account/ Transactions	
4.5.1	1. Electronic financial services	<p>1. Official Letter no. 1040502321 of the TWSE</p> <p>2. Official Letter no. 10400159191 of the TPEX</p> <p>3. Official Letter no. 1050500571 of the TWSE</p> <p>4. Principal Identification and Management of Credit Line Categorization in the Processing by Securities Firms of Account Opening</p>
4.5.1.1	(1) If an existing customer's online application involves the confirmation of customer identity and intention, has the firm handled the matter in accordance with its	

No.	Examination Item	Legal Basis
4.5.1.2	<p>operating procedures and internal control system?</p> <p>(2) If the securities firm accepts the application to open account not in person, does the firm confirm the identity of customer in the following manners and retain relevant proof documents in accordance with its operating procedures and internal control system?</p> <p>①Have the settlement bank confirm the customer’s identity.</p> <p>②The customer provides an original certificate issued by a professional, such as lawyer or accountant, which is confirmed as authentic by sending a correspondence to the professional.</p> <p>③If the account is opened via correspondence and video, confirm customer identity by making a visit.</p> <p>④Other means sufficient to confirm the customer identity.</p>	
4.5.1.3	<p>(3) If the firm offers electronic financial services, has it disclosed its services on a designated site set up by the Taiwan Securities Association and on its own website? When accepting online applications for account opening and other services, does the firm disclose the contents of related service for reading and review by the customer, and allow the customer to click “I agree” and confirm the online service, and provide proper query channels for customers, and remind customers to take proper care of their e-certificate and do not</p>	

No.	Examination Item	Legal Basis
4.5.1.4	<p>heedlessly give it to others?</p> <p>(4) If the securities firm enters into cross-industry cooperation, such as with a bank, are the clauses of the cooperation agreement signed by the parties, the setting of firewall and the security of information transmission appropriate?</p>	
4.5.2	<p>2.Are electronic transactions concerning wealth management business undertaken according to the following rules?</p>	<p>Art.39-1, Obligations and code of Conducts of Trust Enterprises</p>
4.5.2.1	<p>(1) Before handling the trust business electronically for a customer (via the internet, by phone or via ATM), the firm should enter a written agreement with the customer on electronic transaction related matters.</p>	
4.5.2.2	<p>(2) When a customer undertakes transactions electronically, the securities firm’s electronic system should verify the identity of the customer to ensure that the transaction is carried out by the customer himself.</p>	
4.5.2.3	<p>(3) If the securities firm has been approved by the competent authority to offer electronic service for fund purchase and transfer, the firm may deliver transaction and other data as required via electronic media (e.g. summary or full prospectus of the securities investment trust fund, the Chinese translations of investor brochure and prospectus for offshore fund investors, etc.), or make such data and information on its website for perusal by customers and make sure the customer has</p>	

No.	Examination Item	Legal Basis
4.5.2.4	<p>clicked “Received and Read” before processing the transaction.</p> <p>(4) When a customer instructs the securities firm to handle trust matters electronically, there should be an audit trail of the customer instructions and the note that the customer has received and read the information mentioned in the preceding subparagraph, and the preservation of related data and retention duration shall follow the Business Entity Accounting Act and relevant regulations.</p>	
4.5.2.5	<p>(5) The securities firm shall establish a secure transaction control mechanism for its electronic system to safeguard the interests of customers.</p>	
4.6	<p>Politically exposed persons (referred to as “PEPs” hereunder)</p>	
4.6.1	<p>1. When conducting CDD measures, does the financial institution put in place risk management systems to determine whether a customer and its beneficial owner or senior managerial officer is a person who is or has been entrusted with a prominent function by a foreign government or an international organization PEPs? Does the financial institution obtain the approval of senior management before establishing or entering a new business relationship?</p>	<p>1. Art. 7, Money Laundering Control Act</p> <p>2. Art. 10, Regulations Governing Anti-Money Laundering of Financial Institutions</p> <p>3. FATF_12.1、12.2、12.3</p> <p>4. Art. 2(13), Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of</p>

No.	Examination Item	Legal Basis
4.6.2	<p>※The examiner should check whether the securities firm would conduct risk-based CDD on a customer determined as a PEP, instead of adopting EDD uniformly on all customers.</p> <p>2. Is the risk assessment of a former PEP carried out using a risk-based approach to assess the level of influence he or she still has? Does the risk assessment consider at a minimum the following elements:</p> <p>(1) The length of time the customer has held an important political position.</p> <p>(2) Is the new job of the former PEP after departure from his/her previous job related to the previous political position he held?</p> <p>※ The examiner should understand whether the firm’s risk assessment operation for former PEP is adequate, in particular in the case of Taiwan where a PEP usually has relatively bigger influence on public affairs due to its relatively small area. For example, a president can still wield considerable influence 5 years or even 15 years after he or she has retired from office. Thus the assessment should not depend alone on the actual</p>	<p>Securities Firms</p> <p>Q&A of Standards for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates</p> <p>Art.5, Standards for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates</p> <p>Q&A of Standards for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates</p>

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	<p>number of years a PEP has left office.</p> <p>※ There is no universal definition of family member or close associate of a PEP, mainly because it has to do with a country's social, economic and cultural structure. The examiner can check if a person mentioned above is closely associated with a PEP, whether it is likely for that person to be used in money laundering, e.g. the baby of a PEP, even though a family member of the PEP, should not be taken as a PEP, unless the baby is also entrusted with a prominent public function (e.g. having the identity of crown prince or a royal heir).</p>	<p>Q&A of Standards for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates</p>
4.6.3	3. Customer due diligence (CDD) process	<p>Q&A of Standards for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates</p>
4.6.3.1	(1) Whether the securities firm conducts CDD in the following aspects to evaluate the overall risk of a customer, and if a customer is determined as a PEP, does the firm adopt relevant measures?	
4.6.3.1.1	<p>① Customer aspects</p> <p>For example, verify the identity of beneficial</p>	

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4.6.3.1.2	<p>owner(s) when the customer is a legal entity, whether the customer is a PEP, and whether the customer operates a cash-intensive business.</p> <p>②Transaction aspect</p> <p>For example, is the transaction an ordinary transaction? Does the transaction conform to common trading practice, and whether the purpose of trading is to hide the true source of funds?</p>	
4.6.3.1.3	<p>③Geographic aspect</p> <p>For example, the source and destination of funds, and whether the customer is from a high-risk country or jurisdiction?</p>	
4.6.3.2	<p>(2) Does the firm use proper sources of information to identify and determine whether a customer is a “domestic” or “foreign” PEP?</p>	
4.6.3.2.1	<p>①Foreign</p> <p>The firm should have a risk management system for identifying and determining whether a customer is a foreign PEP and apply EDD if the customer is a PEP.</p>	
4.6.3.2.2	<p>②Domestic</p> <p>The firm should use reasonable measures to identify customer risk and adopt corresponding measures and actions, and at the same time, consider related factors that if a customer poses low risk, there is no need to carry out EDD.</p> <p>※ The examiner should examine the criteria used by the</p>	

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	<p>securities firm to determine “domestic” or “foreign” PEP, which should focus on which country entrusts the PEP with an important public function, whereas the nationality and birth place are not the key questions. For example, if a R.O.C. citizen is a member of the International Olympic Committee, he or she is an “international organization” PEP.</p> <p>※The examiner should understand if the securities firm has identified its own weakness or the weakness of the surroundings it is in, for example:</p> <p>A.If the securities firm usually does not have many foreign PEP customers doing business with it, it needs to give special consideration to associated risks and determine whether to establish business relationship when a foreign PEP applies to have business dealing with it.</p> <p>B.If the area where a domestic PEP resides or works poses high corruption risk, considerations given in risk assessment should be more thorough, even than those given in the risk assessment of a foreign PEP; the securities firm should also heed local PEPs, e.g. domestic city/county councilor, town representative and department head of city/county government.</p> <p>※ The examiner should spot check the scope of customers determined to be PEP. If the firm consider only the scope of prominent public positions listed by</p>	

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4.6.3.3	<p>the Ministry of Justice, which may not be sufficient, e.g. department head of city/county government, town representative, etc. The firm should perform risk assessment based on the weaknesses of the surroundings it is in, and if the customer is identified as high risk, the customer is determined as a PEP and related enhanced measures should be adopted.</p> <p>(3) For foreign or domestic PEPs who pose high risk, does the firm adopt enhanced measures?</p> <p>※ The examiner should check whether the following matters are implemented by the securities firm:</p> <p>Instant update of customer information, regular employee training, use of Internet and electronic media resources (e.g. property filing system), or obtaining relevant information from customer statements (however customer statement does not relieve the securities firm of its responsibility) and through information sharing within the group.</p> <p>※ The use of commercial database is not required according to the international rules, and in addition, commercial database has its limitations. The examiner should understand whether the securities firm uses database queries in place of CDD process.</p>	