

# Operation Directions of Financial Institutions Applying for Business Trial

I. These Directions are set forth to encourage financial institutions to innovate and provide innovative financial products or services so as to enhance competitiveness and promote the interests of financial consumers, and to ensure that consistent administrative rules are in place for the review of financial institutions' applications for business trials by the Financial Supervisory Commission (FSC).

II. The term "financial institution" as used in these Directions includes banks, credit cooperatives, bills finance companies, credit card companies, trust enterprises, electronic payment institutions, securities firms, securities investment trust enterprises, securities finance enterprises, securities investment consulting enterprises, futures commission merchants, leverage transaction merchants, futures trust enterprises, managed futures enterprises, futures advisory enterprises, insurance companies, insurance cooperatives, insurance agents, and insurance brokers.

The term "insurance agent" as used in these Directions means a company operating insurance agency business in the capacity of a corporate organization or a bank concurrently operating insurance agency business.

The term "insurance broker" as used in these Directions means a company operating insurance broker business in the capacity of a corporate organization or a bank concurrently operating insurance broker business.

A financial institution that applies for a business trial shall establish an internal control and audit system.

III. A financial institution may apply to the FSC in accordance with these Directions for trial of a business item not yet allowed under an administrative rule or interpretive rule of the FSC, a self-regulatory rule set out by a financial industry association or a rule of a self-regulatory organization (referred to as "business trial" hereunder).

A business trial, once approved by the FSC, is not subject to the restrictions set out in an administrative rule or interpretive rule, a self-regulatory rule set out by a financial industry association, or a rule of a self-regulatory organization mentioned in the FSC approval letter during the trial period and within the scope of the trial.

Business items not yet allowed, as referred to in paragraph 1 hereof, include new business models and expansions of existing business models.

A financial institution may collaborate with other relevant businesses not in the financial sector in conducting a business trial, in which case the financial institution shall submit an application to the FSC.

Where a business item is prohibited by a law or regulation, the financial institution shall apply for innovative experimentation in accordance with the Financial Technology Development and Innovative Experimentation Act.

IV. Documents that shall be submitted by a financial institution when applying for a business trial include but are not limited to the following:

1. A business plan that states the following particulars:

(1) Legal basis and related legal evaluation and analysis.

(2) Analysis of differences with the current business operation (transaction process, scope of trial, trial period, location of the trial, and expected benefits).

- (3) Protections for the interests of financial consumers, investors, or customers (policyholders), and related code of marketing/sales conduct.
- (4) Internal operating guidelines, possible risks and risk controls (including identification of new risks and corresponding control measures), and internal control system.
- (5) Description of important items in contracts concluded with financial consumers, investors, customers (policyholders), or partners.
- (6) Description of information systems, security control operations, and risk response measures to be adopted for the business trial.
- (7) Criteria for evaluating the success or failure of the business trial.
- (8) Follow-up procedures in case of failure of business trial, or after trial period.
- (9) Assessment of money laundering and terrorist financing risks and related risk control measures.

2. Statements issued by relevant units (personnel):

- (1) Statement of compliance.
- (2) Statement of risk management.
- (3) Statement on internal control.
- (4) Statements of relevant supervisors (e.g. statement of information security evaluation).

V. The FSC may, in view of the nature of a particular business trial, place relevant restrictions on a financial institution, including restrictions on who may be involved (e.g. employees), business or transaction volume, locations (usually restricting a trial to a small area, e.g. head office (headquarters), a specific branch (branch company), a specific computer terminal or mini-branch), specific hours or time period (e.g. closed during non-business hours, or

limited in principle to a six-month trial period), etc.

VI. The FSC will review a business trial application according to the following principles and procedures:

1. The trial is non-exclusive, in the sense that other financial institutions may apply for the same type of business trial at the same time or earlier/afterwards.
2. Depending on the complexity of a business trial, the FSC may consider asking the applicant and its partners to present a briefing at the FSC, or solicit the opinions of relevant units/departments.
3. To promote financial inclusion on a continual basis, and encourage financial institutions to introduce a wide variety of financial products and services that meet the needs of different groups in society, the FSC may give priority to accepting applications and conducting relevant review if the business trial applied for by a financial institution will be conducive to the promotion and implementation of financial inclusion.
4. A financial institution shall take care to comply with information security, anti-money laundering, and other regulations, and to properly protect personal information and customer interests during a trial period. After a trial period ends, a financial institution's audit unit (personnel) together with its information, compliance, risk management, and other relevant units (personnel) shall submit to the FSC for reference an audit report on the appropriateness of actions taken for the aforementioned matters and information on the overall trial situation.
5. For trial matters that are subject to laws and regulations administered by other central government agencies, a financial institution shall apply to relevant authorities for approval; where a business trial involves foreign exchange, it shall in addition be

approved by the Central Bank.

6. If a financial institution, its partners, or outsourced service providers need to gather, process, or use personal information to conduct trial items, it shall obtain certifications of its Information Security Management System (ISO27001) and its Personal Information Management System (PIMS).
- VII. A financial institution shall, within two weeks after a trial period ends or after achieving the expected benefits, submit a report of the trial results to the FSC. The FSC will, based on the outcome of business trial, draft relevant regulations, and/or during the trial period, instruct a financial industry association and/or self-regulatory organization to study and review the amendment of relevant laws, regulations, and rules.