

Re: FINI Onshore Derivative Trading

Dear Sirs:

The following setting out certain information related to foreign institutional investors (“FINI”) entering into onshore derivative transactions with ROC licensed banks or securities firms (including licensed Taiwan branches of foreign banks and securities houses) (“ROC Banks and Securities Firms”).

The information contained herein should not be construed as legal or tax advice. Each FINI should consult its own legal, tax, accountancy and other professional advisors in connection with conducting onshore derivative transactions in the ROC.

I. Permitted Onshore Derivative Products

FINI are permitted to engage in the following onshore over-the-counter derivative transactions with the ROC Banks or Securities Firms:

1. NTD interest rate derivatives including NTD forward rate agreements, interest rate swaps and interest rate options;
2. equity linked derivatives including ROC equity linked options and swaps denominated in NTD or foreign currency and foreign equity linked options and swaps denominated in NTD or foreign currency;
3. structured products including products denominated in NTD or foreign currency and which are linked to domestic or offshore equity and/or interest rates; and
4. convertible bond asset swaps (as equity option holder).

II. Restrictions

However, FINI investment in the above derivative type assets is subject to the following restrictions:

1. except for transactions which are linked to foreign equity where such conversion is necessary, NTD premiums received by FINI from the above derivative transactions

may not be converted into foreign currency until the relevant transaction matures;

2. equity linked derivative transactions and structured products, where denominated in NTD or foreign currency, the underlying securities of which are subject to foreign ownership limits, must be cash settled; and

3. The aggregate amount that an FINI may invest in government bonds, money market instruments (limited to bills which have tenors of less than ninety days) and money market funds together with premium paid plus the net settlement difference for the above OTC traded equity derivatives, OTC traded NTD interest rate derivatives, OTC traded structured products and convertible bond asset swaps (as equity option holder), as applicable, shall not exceed 30% of the remitted in funds ("30% Limit").

III. Tax Consequences

The tax consequences of trading structured products and other derivative transactions are stipulated in "Income Tax Act", "Enforcement Rules of the Income Tax Act", "The Standards of Withholding Rates for Various Incomes", and rulings issued by the Ministry of Finance from time to time. Pursuant to current regulations, interest income and gains in derivative transactions, are subject to ROC tax and, if there are gains, a FINI not having a permanent establishment in the ROC is required to file the tax return and pay the tax to the authority.

IV. FINI RESPONSIBILITIES

Each FINI is solely responsible for any legal and contractual obligations it may incur in connection with onshore derivative transactions, and for any taxes and other payments and obligations imposed by the tax authority, other government authorities and/or any stock exchange in respect of any onshore derivative transaction conducted by FINI in the ROC, including (i) negotiating the relevant agreements and documents with the counterparty and (ii) complying with applicable ROC laws and regulations related to FINI's engaging in onshore derivative transactions including, inter alia, the above 30% Limit.

Failure to so comply can have significant consequences including mandatory unwinding of the transaction and/or loss of FINI status.

Prior to engaging in the above permitted ROC onshore derivative transactions, a FINI is advised to (i) consult its own tax advisor and (ii) for FINI not having a permanent establishment in the ROC, to appoint a tax agent (usually a CPA) to be responsible to calculate the tax amount payable to the tax authority and file any required tax return. We, as custodian, will not be responsible to calculate taxes due and/or file tax returns.

V. Custodian's ROLE

We, as the custodian, will not execute, on behalf of the FINI, relevant agreements and other documents and will only take actions related to the above activities in accordance with the FINI's instruction. However, as custodian, we will not have any responsibility for any counterparty's duties, actions, omissions or solvency and will not take any actions in the absence of express instructions from the FINI.

If you have any questions regarding the above, please do not hesitate to contact us.

[Name of the Custodian Bank]