

Q&A on Designation of Two or More Custodian Institutions by Offshore Foreign Institutional Investors

1. What foreign investors may designate two or more custodian institutions?

A:

Offshore foreign institutional investors having applied for registration in accordance with Article 10 of the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals or having obtained the approval of the competent authority or Taiwan Stock Exchange Corporation (TWSE) for investing in domestic securities may apply for designating two or more custodian institutions, with the exception of the investors below:

- (1) an investor whose status has not been elevated as principal account to date since its application for investing in domestic securities as a sub-account of a Qualified Foreign Institutional Investor (QFII) during the approval period.
- (2) an offshore foreign institutional investor which, having been required by the prior notice of the relevant unit to furnish before applying for designating two or more custodian institutions relevant data to TWSE for TWSE to consult said unit, fails to submit complete data.

2. Limit on the number of custodian institutions that may be designated by an offshore foreign institutional investor?

A:

An offshore foreign institutional investor designating two or more custodian institutions (**Investor with Multiple Custodian Institutions**) needs to designate one primary custodian institution and may additionally designate three secondary custodian institutions, i.e., it may designate up to a maximum of four custodian institutions.

3. How to apply for registration of multiple custodian institutions?

A:

(1) Addition

The custodian institution initially designated by an offshore foreign institutional investor before it becomes an Investor with Multiple Custodian Institutions is the primary custodian institution. When the offshore foreign institutional investor additionally designates a secondary custodian institution, the agent-cum-custodian institution of those which have obtained investment approval from the competent authority or the TWSE, or the registered agent or representative in Article 10 of the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals (**Registered Agent**, i.e. the primary custodian institution), should transmit the “1-7-1 Registration Application Form for a Secondary Custodian Institution of an Offshore Overseas Chinese or Foreign National” online through the TWSE system. Once no error is found in an online check through the system, the addition is completed, in which case the “1-7-2 Certificate of Registration Completion for the Primary and Secondary Custodian Institutions of an Offshore Overseas Chinese or Foreign National” may be printed out.

(2) Cancellation

An offshore foreign institutional investor to terminate its relationship with a secondary custodian institution should apply for cancellation of the secondary custodian institution by having its Registered Agent (or primary custodian institution) transmit the “1-7-3 Registration Cancellation Application Form for a Secondary Custodian Institution of an Offshore Overseas Chinese or Foreign National” online through the TWSE system. Once no error is found in an online check through the system, the cancellation is completed, in which case the “1-7-4

Certificate of Registration Cancellation Completion for a Secondary Custodian Institution of an Offshore Overseas Chinese or Foreign National” may be printed out.

In other words, an Investor with Multiple Custodian Institutions to change a secondary custodian institution should first apply for the cancelation of the original secondary custodian institution and then apply for the additional designation of another secondary custodian institution. Where the primary custodian institution and a secondary custodian institution are to be swapped, an application for the cancelation of the secondary custodian institution should first be made before an application is filed for the change of agent and then for the additional designation of the original primary custodian institution as a secondary custodian institution. After registration, both the primary and secondary custodian institution may print the “1-7-2 Certificate of Registration Completion for the Primary and Secondary Custodian Institutions of an Offshore Overseas Chinese or Foreign National” online through the TWSE system.

4. How is an Investor with Multiple Custodian Institutions to file monthly reports?

A:

An Investor with Multiple Custodian Institutions should have its primary custodian institution and secondary custodian institution(s) file monthly reports separately on the assets held in custody by them as entrusted.

5. How to calculate the caps in relation to SBL by an Investor with Multiple Custodian Institutions being in the form of a privately placed mutual fund or unit trust?

A:

The sales of securities borrowed by an offshore foreign institutional investor in the form of a privately placed mutual fund or unit trust are capped at 50% of the scale of the fund, and the loaned amount of any single security held may not exceed 50% of the amount of the security held. The caps should be calculated separately based on the assets held in custody by the primary custodian institution and secondary custodian institution(s) as entrusted if the aforementioned investor is an Investor with Multiple Custodian Institutions.

6. How to calculate the cap on the outward remittances by an Investor with Multiple Custodian Institutions of proceeds from the sales of borrowed securities?

A:

Foreign exchange settlement for which an offshore foreign institutional investor applies of proceeds from its sales of borrowed securities should be deemed outward remittance of the investment principal. The NTD amount of investment principal of which it applies for outward remittance is capped at the balance of the net amount of its inward remittance of investment principal as converted into NTD.

The cap applicable to an Investor with Multiple Custodian Institutions should be determined separately on the basis of the positions held in custody by the primary custodian institution and secondary custodian institution(s) as entrusted.

7. How to calculate the limit on investment by an Investor with Multiple Custodian Institutions in regard to fixed income and derivatives etc.?

A:

The total amount of investments by an offshore overseas Chinese or foreign national in government bonds, corporate bonds, financial bonds, NTD bonds issued in Taiwan by international financial institutions, exchange traded notes, debt security tokens, money market instruments, and money market funds, plus the NTD premiums, net

settlement amount on price differences of swaps, and NTD margins of domestic OTC derivative clearing as paid for the engagement in trades of over-the-counter (OTC) equity derivatives, OTC NTD interest rate derivatives, OTC structured instruments, and options-part transactions in convertible bond asset swaps, may not exceed 30% of its net inward remittance, but investments in private placements of convertible corporate bonds are excluded from such total amount.

An Investor with Multiple Custodian Institutions should calculate the above limit on the basis of the positions held in custody by the primary custodian institution and secondary custodian institution(s) as entrusted.

8. How to calculate the earnings when an Investor with Multiple Custodian Institutions makes an outward remittance of the proceeds of securities investments?

A:

When an Investor with Multiple Custodian Institutions applies for foreign exchange settlement of the proceeds of its securities investments, it may determine whether there are earnings on the basis of the positions of the securities held in custody by the primary custodian institution and secondary custodian institution(s) as entrusted.

9. Process flow of the stock affairs of an Investor with Multiple Custodian Institutions?

A:

The TDCC should, within three days of the commencement of the issuing company's publicly announced period of suspension of account transfer for holding a shareholders' meeting or creditors' meeting, for distributing dividends, bonuses or other profits, or for repaying principal and paying interest, notify the securities issuers of the data that it has compiled in relation to the owners of the securities held in its custody. The relevant data may include particulars of the centrally deposited accounts

of the primary custodian institution that holds no position when a securities owner as mentioned above is an Investor with Multiple Custodian Institutions.

A public company may, based on the content of the TDCC notification, enter in the shareholders' register the name of the dedicated account of the primary custodian institution of the Investor with Multiple Custodian Institutions, including information on account opening or changes in the mailing address etc.

The above applies to all securities issuers in Article 4, paragraph 1 of the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals.

10. Directions on futures trading by an Investor with Multiple Custodian Institutions?

A:

- (1) An Investor with Multiple Custodian Institutions engaging in futures trades should designate the primary custodian institution as the primary agent and a secondary custodian institution as a secondary agent if it needs to designate two or more agents as in Point 12 of the Overseas Chinese and Foreign Nationals Futures Trading Directions (Futures Directions).
- (2) With regard to the balance in NTD resulting from the cumulative realized NTD profits gained combined with the amounts under Point 11, paragraphs 2 and 3 of the Futures Directions, the amounts in the various futures accounts as reported by the primary agent and the secondary agent should be calculated in the aggregate. Such amount as in an individual trader account or an individual omnibus account may not exceed NTD 300 million. The primary agent should notify the investor designating multiple custodian institutions of the aforementioned balance.
- (3) Where the aforementioned NTD balance exceeds the cap, the primary agent should notify the investor designating multiple custodian institutions to act

in accordance with the time limit for exchange settlement and the balance requirement as stipulated in Point 11, paragraph 6 of the Futures Directions.