

MEMO# 15510

January 6, 2003

TAIWAN CENTRAL BANK AMENDS RULES ON SALES OF SECURITIES THROUGH BANK ACCOUNTS

[15510] January 6, 2003 TO: INTERNATIONAL COMMITTEE No. 1-03 RE: TAIWAN CENTRAL BANK AMENDS RULES ON SALES OF SECURITIES THROUGH BANK ACCOUNTS The Taiwan Central Bank recently amended its rules governing the use of non-discretionary trust accounts for investments in foreign securities.¹ The amendments: 1. Permit trust accounts to be used to invest in any exchange traded fund (ETF) or depository receipt (DR) traded on a foreign (i.e., non-Taiwanese) exchange, without registration of the EFT or DR in Taiwan; 2. Expressly prohibit banks from advertising or promoting foreign mutual funds in Taiwan;² and 3. Require banks to provide a description of the relevant risks when providing information on foreign securities or funds. A translation of the amended rules, prepared by lawyers in the Taipei office of Russin & Vecchi, is attached. Robert C. Grohowski Associate Counsel Attachment (in .pdf format) 1 The non-discretionary trust mechanism is one of the primary methods of distribution for offshore funds in Taiwan. It enables banks (including foreign bank branches) and investment and trust companies licensed to engage in trust activities to make their trust services available to their customers for the purchase of funds meeting specified requirements, without registration of the funds in Taiwan. It often is used in conjunction with securities investment consulting enterprise (SICE) operations. See Memorandum to International Committee No. 1-98, January 9, 1998. 2 A similar prohibition already exists in Taiwan's Securities and Exchange Law.

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