

Review and Outlook of Taiwan Regulations and Policies for Asset Management (2025)



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2 January 2025

In 2024, Taiwan has established a series of plans for the development of the asset management industry. **The Financial Supervisory Commission's ("FSC") initiative to promote Taiwan as an Asia asset management center (亞洲資產管理中心計畫) will be the primary driving force shaping the asset management market and regulations over the next three years.** This initiative combines the establishment of development strategies and goals with related securities entities and introduces a six-year plan focused on "retaining wealth as the primary goal, with attracting investment as a supplementary measure." This plan includes 16 sub-initiatives related to asset management, mainly: (i) the Investment Trust Growth Plan (including expanding the domestic asset management scale, increasing foreign asset management investment, and exploring the feasibility of a financial special zone); (ii) the Inclusive Sustainable Integration Plan (including supporting TISA's nationwide asset management education initiatives and talent training for asset management); (iii) the Wealth Management Promotion Plan (including promoting family office functionalities and enhancing wealth management business within OBUs); and (iv) the Capital Investment in Public Works Plan (including planning for public works and product development projects and advancing REITs initiatives).

With the launch of these plans, regulations have already begun to be formulated in 2024, and some have already taken effect. It is expected that the regulations and policies governing the asset management business in 2025 will continue to evolve within the framework of the Asia asset management center initiative, focusing on the active development of Securities Investment Trust Enterprises ("SITE") and Discretionary Investment Management ("DIM") businesses. Conversely, the development of offshore fund operations is anticipated to face challenges, and operators may need to explore more flexible business opportunities through incentive measures under the deep cultivation plans (境外基金深耕計畫).

We would like to outline the regulations and policy changes related to the asset management industry that have already been implemented or planned for 2024, as well as those expected to occur in 2025 and thereafter.

I. Major Regulatory Changes in 2024

1. Automated Investment Advisory Services (25 October 2024)

The FSC amended the Regulations Governing Securities Investment Consulting Enterprises (證券投資顧問事業管理規則) to elevate the automation of investment advisory services from the self-regulatory level of the Securities Investment Trust and Consulting Association

("SITCA") to the regulatory level. Those providing automated investment advisory services and those changing the algorithms used for these services must submit documentation to the SITCA for review. The securities investment consulting enterprises ("SICE") are required to establish a dedicated unit and allocate internal audit personnel.

2. Administrative Service for Non-SIT Funds (25 October 2024)

For sales and providing consultation on "non-securities investment trust fund" foreign fund products ("Non-SIT Funds") by the SITES/SICEs to professional institutional investors and high-net-worth clients in the domestic market, there has been some ambiguity in past about whether the limit of no more than 99 high-net-worth clients applies to foreign asset management institutions as a whole or to each individual product. Through this amendment, the FSC clarifies that the total number of high-net-worth clients for each individual Non-SIT Fund must not exceed 99 clients.

Another significant change is to allow SITES/SICEs to accept commissions from foreign asset management companies to provide administrative assistance services for Non-SIT Funds, provided that these services do not involve clients of banks or securities firms and do not relate to NTD currency exchange issues. When providing related services, the SITES/SICEs must confirm that the banks or securities firms comply with FSC regulations regarding trust or entrusted buying and selling of the Non-SIT Funds. For initial business applications, relevant documentation must be submitted to the FSC for approval. If there are any changes to the approved matters thereafter, re-approval is not required. However, any changes must be reported to the SITCA within 10 business days of the change, along with the original application letter and an explanation of the reasons for the change.

For the concerns the market has about whether the SITES/SICEs can designate other banks or securities firms as sales institutions or distribution channels for the Non-SIT Funds when conducting sales and consultations domestically, the FSC has stated in 2021 and 2023 respectively that the SITES/SICEs are not permitted to provide services abroad or enter into commission contracts with trust companies to conduct this business through non-discretionary monetary trusts. Currently, there have been no changes to this position.

3. Amendment to Deep Cultivation Plan for Offshore Funds (28 March 2024)

There were amendments to the deep cultivation plan for offshore funds which mainly focus on providing long-recognized companies with greater flexibility to freely choose how to utilize preferential measures. This includes adjusting the criteria for measuring asset scale for offshore fund institutions setting up operations in Taiwan and adding the number of investment research team members at foreign fund institutions' Taiwan operations as an evaluation item. This provides more incentives for foreign fund institutions to participate in deep cultivation plans.

- (1) If the application for approval has a validity period of two years, the applicant may propose to apply the preferential measures for the first year and the second year of the approval period respectively.
- (2) In terms of increasing the scale of asset management in Taiwan, a new financial indicator has been added that measures the average asset management scale over the past year, excluding ETFs, to provide a fair benchmark for the SITES/SICEs that are in the related business of ETFs.
- (3) In terms of increasing the scale of asset management in Taiwan, a new evaluation indicator has been established: over the past three years, the average number of

personnel in the investment research team (including fund managers, investment managers, and other investment researchers) must reach at least 25 or account for 20% of the total number of employees, with a positive growth rate in asset management scale (excluding money market funds) for the most recent year.

- (4) New preferential measures now allow for the report for effectiveness for offering and sales of offshore funds and the reports will be effective after approval through the Taiwan Depository and Clearing Corporation ("TDCC") within 45 business days. Additionally, within the scope of compliance with the Regulations Governing Offshore Funds (境外基金管理辦法), it will be permissible to introduce new types of foreign funds, including newly established multi-asset offshore funds (which are not allowed to invest in offshore funds that have not been approved by or reported for effectiveness by the FSC).

4. Relaxation for Private Equity Funds

Guiding capital, particularly those from the domestic insurance industry, to align with government policies for investment in public infrastructure¹ and key national investment projects is one of the government's key policy focuses in recent years. This initiative will also stimulate the development of other related industries, including private equity funds ("PE Funds"), venture capital firms, insurance companies, and investment trust companies. Key regulatory and policy changes related to asset management firms are as follows:

- (1) Privately Placed Securities Investment Trust Funds ("SIT Fund") Allowed to Invest in Private Equity Funds (29 December 2023)

Privately placed SIT Funds of the SITE are allowed to invest in the PE Funds, and the invested funds must have the following characteristics: (i) They must comply with the relevant legal and regulatory requirements applicable to the invested fund. (ii) They must undergo independent annual audits in accordance with generally accepted accounting principles or international auditing standards. (iii) The fund must have independent functions for asset evaluation, accounting, and investment activities. Additional new regulations regarding investments in private equity funds include the requirement to disclose relevant matters. The SITEs must also establish evaluation policies and operational mechanisms, as well as procedures for handling exceptions to the evaluation policies that are difficult to implement within internal control systems, which must be approved by the board of directors.

- (2) Engagement for Management and Introduction of Investment in PE Funds (27 December 2024)

This adjustment is a relaxation to the existing business for the SITEs to manage the PE Funds. The SITEs may act as general partners of PE Funds through their subsidiaries and introduce professional institutional investors and high-net-worth clients (eliminating the limitation established in 2017 that the total number of new high-net-worth clients must not exceed 99) to

¹ For example, the "5+2 Industrial Innovation Program," which includes smart machinery, the Asian Silicon Valley, green energy technology, the biomedical industry, the defense industry, new agriculture, and the circular economy, along with the six major core strategic industries related to information and digital technology, capital investment, Taiwan's precision health strategy, national defense and strategy, green electricity and renewable energy, and public welfare and readiness. Moreover, the investment projects by the insurance industry, aligned with policies for public investment, include: 1. Transportation facilities such as roads, railways, ports, parking lots, and airports. 2. Utilities such as water, electricity, and telecommunications. 3. Construction of social housing and elderly housing. 4. Improvement of rivers and sewage systems, environmental protection facilities for waste and garbage disposal, and funeral facilities. 5. Public welfare facilities for national recreation. 6. Other public works that align with government incentives and constructions.

participate in investments and provide related services for the PE Funds they manage. Additionally, a definition for high-net-worth clients and other relevant regulations that must be complied with have been established. The SITEs must apply for an approval from the FSC and shall report the relevant information according to the SITCA's regulations by the tenth day of each month.

(3) Finance Action Plan for Green and Transformation (October 2024)

The Executive Yuan established a "Cross-Ministerial Investment and Construction Promotion Platform" to expand public construction project sources, encourage the establishment of public infrastructure-focused PE Funds, and guide private sector support for public infrastructure development. In 2024, in line with the Executive Yuan's policy direction of the "Trillion Dollar Investment National Development Plan," the FSC has adjusted the risk capital ratio applicable to the insurance industry for 100% investment in public infrastructure through domestic private equity funds, reducing it from the current 10.18% to 1.28%, same as the risk capital ratio for direct investments in public infrastructure by the insurance industry. It is anticipated that the same risk capital ratio will also be applied to the insurance industry's 100% investment in public infrastructure through domestic venture capital businesses soon.

5. Relaxation on DIM Business (24 October 2024)

The amendment to Article 17 of the Regulations Governing DIM by SITEs/SICEs relaxes the restrictions on DIM. It removes the investment ratio limitation that previously required that the total shares invested by the SITEs/SICEs in any company's stock should not exceed 10% of the total issued shares of that company for all DIM accounts managed by the SITEs/SICEs.

6. Development of Family Office Business (30 December 2024)

Although there has been extensive discussion in the industry regarding family offices, Taiwanese regulations reveals that there has been no content or mentions related to family offices. The government is now including family offices in its planning blueprint for the first time and intends to further incorporate them into regulations. It is hoped that in the future there will be further provisions to allow family offices to qualify for the purchase or trading of relevant financial products.

The FSC has announced to amend Article 4, Item 3, Sub-item 3 of the Securities Investment Trust and Consulting Act to allow the SICEs to accept client commissions for family office integration consultancy services. These firms will be able to collaborate with professionals or businesses providing trust, financial, accounting, legal, tax, charity, and educational services to assist clients in consultancy work aimed at estate and wealth succession. The SICEs must establish internal control systems or internal management systems, formulate family office integration consultancy contracts with clients, and apply for approval from the FSC. They are required to report information to the SITCA five business days after the end of each quarter.

Additionally, the FSC will allow banks to provide family office related advisory services, such as tax and legal consulting which is expected to be completed by the first quarter of 2025. The FSC is also planning to offer incentives to encourage the establishment of family-type asset management companies which is expected to be completed by the fourth quarter of 2026.

II. Regulatory Trend of 2025 and thereafter

1. Plan for Establishing Search Platform for Privately Placed Funds

Although both privately placed offshore funds and SIT Funds of the SITE currently require post-reporting, relevant information regarding private funds is not disclosed to the public. In the future, establishing a search platform would help enhance information transparency and protect investors, and the related data would significantly assist with industry planning and policy formulation. The plan is expected to be completed by the fourth quarter of 2025.

2. REITS

The FSC is considering the establishment of a real estate investment trust ("REIT") system based on international practices, proposing to allow real estate investment trust funds to be issued in a fund structure and to introduce the category of "real estate investment trust enterprises." The draft amendments to the "Securities Investment Trust and Consulting Act" (證券投資信託及顧問法) have been submitted to the Legislative Yuan, and the name of the bill has been revised to "Securities and Real Estate Investment Trust and Securities Investment Consulting Act." (證券與不動產投資信託及證券投資顧問法) As of June 28, 2024, the proposal has completed negotiations in the Legislative Yuan's Finance Committee and is currently submitted for the second reading. The aim is to introduce a new financing channel into the domestic capital market by allowing REITs to be issued as fund structures. Key content includes:

- The SITEs that meet the conditions set by the FSC and obtain a special permit may operate real estate investment trust businesses.
- The company must have independent director(s) and an audit committee, with the audit committee replacing the supervisor.
- The minimum paid-in capital and operational guarantee deposit shall be determined by the FSC.
- Investments or operations are limited to the following objects, and investment in residential properties is not permitted:
 - (1) Real estate and real estate-related rights with stable income.
 - (2) Development-type real estate and real estate-related rights.
 - (3) Real estate-related securities.
 - (4) The scope of use for idle funds as specified by the FSC.
 - (5) Other targets approved for investment or operation by the FSC.

Additionally, the Taiwan Stock Exchange Corporation (TWSE) and the over-the-counter market (Taipei Echange) will form a REIT project team to assist government agencies in the securitization of public infrastructure. At the same time, the restrictions on the shareholding ratio of insurance companies investing in REITs will be relaxed. Currently, the total amount that the insurance industry can invest in REITs issued in the same tranche is limited to no more than 10% of the total amount of beneficial certificates issued in that tranche. The plan is expected to be completed by the fourth quarter of 2025.

3. Active ETF

It is anticipated that the amendments to the Regulations Governing Securities Investment Trust Funds (證券投資信託基金管理辦法) will be completed by early 2025, allowing for the introduction of active ETFs and passive balanced ETFs (which include index component securities and can consist of both stocks and bonds). Active ETFs that invest in stocks or bonds will be subject to the regulations for equity funds and bond funds, respectively. Similar to passive ETFs, these ETFs will be able to conduct margin trading and short selling after

being listed, and there will be no requirement for performance indicators. However, neither active ETFs nor passive balanced ETFs will be permitted to issue leveraged or inverse funds.

While the relevant regulations are not clear about whether the SITEs are allowed to engage foreign asset management companies for the outsourcing of the management of actively managed ETFs, the current stance of the FSC appears to lean towards not restricting the use of sub-delegated external management.

4. Push for Collaboration with Foreign Countries

- (1) It is anticipated that a memorandum of understanding will be signed with Ireland to assist the SITEs in seeking overseas discretionary business opportunities.
- (2) The FSC will announce Japan as an officially recognized registration location for foreign ETFs and the domicile of offshore fund management institutions. The goal is to promote the launch of the first cross-border dual-listed ETF between Taiwan and Japan within 2 years.

5. Relaxation on Related Party Trading Restriction on Insurance Companies

Currently, investments made by the insurance industry in ETFs issued by related parties, which exceed 10% of the total issued beneficial certificates of each fund, must have the excess portion accounted for in the total transaction balance with related parties. It is proposed to add a provision stating that investments made by the insurance industry through discretionary trading in ETFs issued by related parties, which exceed 10% of the total issued beneficial certificates of each fund, will not be included in the calculation of the total transaction balance.

6. Development of TISA (Taiwan Individual Savings Account)

The current plan is to promote the initiative without requiring tax exemption practices. Due to the difficulty of negotiating additional tax incentives from the Ministry of Finance, future efforts are aimed at having businesses provide discounts on transaction fees for domestic investors and integrate existing tax incentives to encourage individuals to open TISA accounts. However, the lack of tax incentives and the methods of providing benefits by businesses have raised many questions from the public, and the feasibility of the plan remains to be observed. The plan includes (i) designing schemes for preferential management fee rates and transaction fee rates to attract the opening of TISA accounts which is expected to be completed by the fourth quarter of 2025, (ii) discussions with relevant government agencies regarding tax or other incentives to increase participation in TISA which is expected to be completed by the fourth quarter of 2026, and (iii) initiatives to promote nationwide asset management education.

7. Dedicated Virtual Currency Law

For supervision over virtual currencies, the government's plan is to adopt a gradual approach by stages to bring virtual currency platforms and trading businesses (Virtual Asset Service Providers, VASP) under supervision, particularly focusing on a dedicated virtual currency law. It is anticipated that once this law is passed, it will also help provide a foundation for financial industry to issue and trade related financial products and asset management activities.

- (1) **Phase 1 (Supervision):** On 30 June 2021, the FSC announced the Anti-Money Laundering and Countering the Financing of Terrorism Regulations for Virtual Currency Platforms and Trading Businesses. On 26 September 2023, the FSC issued guidelines

for the management of VASP.

- (2) **Phase 2 (Association):** The VASP industry association (Taiwan Virtual Asset Service Provider Association)(中華民國虛擬通貨商業同業公會) held its promoters meeting on 13 June 2024, and established self-regulatory norms for management.
- (3) **Phase 3 (Registration):** The Anti-Money Laundering Act has been amended to include VASP registration, with a registration system for cryptocurrency exchange operators to be implemented starting 1 December 2024.
- (4) In addition, the FSC allows professional investors to invest in foreign virtual asset ETFs through consigned trading of securities firms starting September 30, 2024, and announced a themed pilot program (主題式業務試辦) for virtual asset custody services on 28 November 2024.
- (5) **Phase 4 (Dedicated Law):** The push for legislation on a dedicated law for virtual asset management is underway, with the draft law expected to be produced by the end of 2024. Subsequent public notice and hearings will be conducted, and the dedicated law is expected to be submitted to the Executive Yuan by June 2025.

8. Real World Assets (RWA) Tokenization

The FSC is collaborating with the fintech co-creation platform "Regulatory Technology and Research Application Group," led by a convener along with six financial institutions to establish a "Real World Assets (RWA) Tokenization Group" for research. Currently, the group is formed by two sub-groups: one focused on bonds and the other on funds.

9. Relaxation on offshore Multi-Asset Funds (*status quo*)

The FSC believes that there is still a necessity to maintain the current principle of substantive review for offshore funds (境外基金實質審查原則). The FSC believes that there is no need for immediate relaxation of the rules governing offshore multi-asset funds. Considerations include the prevention of situations where offshore fund of funds and offshore "multi-asset" funds primarily investing in other funds are indirectly sold in Taiwan without FSC approval. Additionally, to encourage foreign fund institutions to deepen their involvement in Taiwan, those that have obtained approval for their deep cultivation plans (境外深耕計畫) may choose to introduce new types of offshore funds through these plans.

10. Relaxation on ILP linked to Non-investment Grade Bond Funds (*status quo*)

Currently, DIM accounts may invest up to 20% in non-investment grade bond funds and emerging market funds, with a limit of 10% for non-investment grade bond funds. They may also invest in general bond funds (with a limit of 20% for non-investment grade bond funds) and balanced funds (with a limit of 30% for non-investment grade bond funds). The FSC inclined to maintain the existing investment linkage ratio for investment-type insurance policies related to non-investment grade bond funds without relaxing it for the time being; however, they will consider conditionally relaxing the use of leveraged 2x and inverse 1x ETFs for discretionary accounts.

11. Relaxation on Investment in Rule 144A Bonds (*status quo*)

The current principle of substantive review for offshore funds (就外基金實質審查原則) stipulates that the total amount invested in Rule 144A bonds must not exceed 10% of the net asset value of fixed income (bond) offshore funds; 30% for non-investment grade bond

offshore funds; and 15% for emerging market country bond funds and balanced funds respectively. The government will coordinate with the SITCA to collect foreign data and consider the feasibility of implementing differentiated weight limits based on the credit ratings of Rule 144A bonds for research and to propose legislative recommendations to ensure consistency between domestic and foreign funds.

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