

Regulations Governing Anti-Money Laundering of Financial Institutions

Article 2 Terms used in these Regulations are defined as follows:

1. "Financial institution" shall mean the following banking businesses, securities and futures businesses, insurance enterprises, and other financial institutions designated by the Financial Supervisory Commission (FSC):
 - (1) "Banking business" includes banks, credit cooperatives, postal offices which also handle money transactions of deposit, transfer and withdrawal, bills finance companies, credit card companies and trust enterprises.
 - (2) "Securities and futures business" includes securities firms, securities investment and trust enterprises, securities finance enterprises, securities investment consulting enterprises, securities central depository enterprises, and futures commission merchants.
 - (3) "Insurance enterprise" includes insurance companies, reinsurance companies, and post offices engaging in simple life insurance business.
 - (4) "Other financial institutions designated by the FSC" includes electronic payment institutions, foreign migrant worker remittance companies (limited to small-amount remittance services for foreign migrant workers), leverage transaction merchants, futures trust enterprises, and managed futures enterprises, as well as insurance agent companies, insurance broker companies, and individuals working as insurance agents and insurance brokers (hereinafter referred to as "insurance agents" and "insurance brokers").
2. "A certain amount" shall mean NT\$500,000 (including the foreign currency equivalent thereof).
3. "A certain quantity" shall mean 50 electronic stored value cards.
4. "Cash transaction" shall mean cash receipt or payment in a single transaction (including all transactions recorded on cash deposit or withdrawal vouchers for accounting purpose), or the transaction of currency exchange.
5. "Customer" shall mean the customers of banking businesses, securities and futures businesses, insurance enterprises, and other financial institutions, and the users of electronic payment account (hereinafter referred to as the "e-payment accounts") and stored value cards. The aforementioned user refers to an individual or an entity that has signed a contract with an electronic payment institution for using an e-payment

account or stored value card to transfer payment funds or store value.

6. "E-payment account" shall mean a payment instrument that accepts, through a network or electronic payment platform, the registration and account opening by users to keep track of their funds transfer and funds deposit record, and uses electronic equipment to convey the receipt/payment information via connection.
7. A "stored value card" refers to a physical or non-physical payment instrument in the form of a chip, card, or certificate with data storage or computing functions that uses electronic, magnetic, or optical technology to store monetary value.
8. "Beneficial owner" shall mean the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted, including those persons who exercise ultimate effective control over a legal person or arrangement.
9. "Risk-based approach" (RBA) shall mean financial institutions should identify, assess and understand the money laundering and terrorist financing (ML/TF) risks to which they are exposed and take appropriate anti-money laundering and countering terrorist financing (AML/CFT) measures commensurate with those risks in order to effectively mitigate them. Based on the RBA, financial institutions should take enhanced measures for higher risk situations, and take relatively simplified measures for lower risk situations to allocate resources efficiently, and use the most appropriate and effective approach to mitigate the identified ML/TF risks.

Article 3 A financial institution shall comply with the following provisions in undertaking customer due diligence (CDD) measures:

1. A financial institution shall not accept anonymous accounts or accounts in fictitious names for establishing or maintaining business relationship.
2. A financial institution shall undertake CDD measures when:
 - (1) establishing business relations with any customer;
 - (2) carrying out occasional transactions with respect to:
 - A. a single transaction (including domestic remittances) or a certain number (or greater) of electronic stored value card transactions that meet or exceed a certain amount, or multiple clearly related transactions that in sum total meet or exceed a certain amount; or
 - B. a cross-border wire transfer involving NTD 30,000 or more (including the foreign currency equivalent thereof);

- (3) there is a suspicion of money laundering or terrorist financing; or
 - (4) the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data.
3. The time of establishing business relations with any customer mentioned under Item (1) of the preceding subparagraph is when accepting a customer's registration application and opening of an e-payment account in the case of an electronic payment institution, and when accepting a customer's registration application in the case of foreign migrant worker remittance companies that operate foreign small-amount remittances for migrant workers.
4. The CDD measures to be taken by a financial institution shall be as follows:
- (1) Identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information. In addition, a financial institution shall retain copies of the customer's identity documents or record the relevant information thereon.
 - (2) Verifying that any person purporting to act on behalf of the customer is so authorized, identifying and verifying the identity of that person using reliable, independent source documents, data or information. In addition, the financial institution shall retain copies of the person's identity documents or record the relevant information thereon.
 - (3) Identifying the identity of the beneficial owner of a customer and taking reasonable measures to verify the identity of the beneficial owner, including using the relevant data or information from a reliable source.
 - (4) Understanding and, in view of the situation, obtaining relevant information on the purpose and intended nature of the business relationship when undertaking CDD measures.
5. When the customer is a legal person, an organization or a trustee, a financial institution shall, in accordance with the preceding subparagraph, understand the business nature of the customer or trust (including a legal arrangement similar to a trust) and obtain at least the following information to identify the customer or the trust and verify its identity:
- (1) Name, legal form and proof of existence of the customer or trust.
 - (2) The charter or similar power documents that regulate and bind the legal person or trust, except for any of the following circumstances:
 - A. Customers/entities provided under Item (3) of Subparagraph 7 hereof and insurance products provided under Item (4) of Subparagraph 7 hereof without the situations specified in the

- proviso of Subparagraph 3, Paragraph 1 of Article 6 herein.
- B. Engaging in electronic stored value card registration business.
 - C. The customer who is an organization is verified that it does not have a charter or similar power document.
- (3) Names of relevant persons having a senior management position in the customer.
 - (4) The address of the registered office of the customer, and if different, the address of its principal place of business.
6. When the customer is a legal person, a financial institution shall understand whether the customer is able to issue bearer shares and apply appropriate measures for customers who have issued bearer shares to ensure their beneficial owners are kept up-to-date.
7. When the customer is a legal person, an organization or a trustee, a financial institution shall, in accordance with Item (3) of Subparagraph 4 hereof, understand the ownership and control structure of the customer or the trust, and obtain the following information to identify the beneficial owners of the customer and take reasonable measures to verify the identity of such persons:
- (1) For legal persons and organizations:
 - A. The identity of the natural person(s) who ultimately has a controlling ownership interest in the legal person. A controlling ownership interest refers to owning directly and/or indirectly more than 25 percent of the legal person's shares or capital; a financial institution may ask the customer to provide its list of shareholders or other documents to assist in the identification of persons holding controlling ownership interest.
 - B. To the extent where no natural person exerting control through ownership interests is identified under the preceding sub-item or that there is doubt as to whether the person(s) with the controlling ownership interest are the beneficial owner(s), the identity of the natural person(s) (if any) exercising control of the customer through other means.
 - C. Where no natural person is identified under Sub-item A or B above, a financial institution shall identify the identity of a natural person who holds the position of senior managing official.
 - (2) For trustees: the identity of the settlor(s), the trustee(s), the trust supervisor, the beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust, or the identity of

person(s) in equivalent or similar position.

(3) Unless otherwise provided for in the proviso of Subparagraph 3, Paragraph 1 of Article 6 or where the customer has issued bearer shares, a financial institution is not subject to the requirements of identifying and verifying the identity of beneficial owner(s) of a customer set out under Item (3) of Subparagraph 4 hereof, provided the customer or the person having a controlling ownership interest in the customer is

- A. a R.O.C government entity;
- B. an enterprise owned by the R.O.C government;
- C. a foreign government entity;
- D. a public company and its subsidiaries;
- E. an entity listed on a stock exchange outside R.O.C. that is subject to regulatory disclosure requirements of its principal shareholders, and the subsidiaries of such entity;
- F. a financial institution supervised by the R.O.C. government, and investment vehicles managed by such institution;
- G. a financial institution established outside R.O.C. that is subject to and supervised for compliance with AML/CFT requirements consistent with standards set by the Financial Action Task Force on Money Laundering (FATF), and an investment vehicle managed by such institution;
- H. a fund administered by a R.O.C. government entity; or
- I. an employee stock ownership trust or an employee savings trust.

(4) Except for situations provided for in the proviso of Subparagraph 3, Paragraph 1 of Article 6, a financial institution is not subject to the requirements of identifying and verifying the identity of beneficial owner(s) of a customer set out under Item (3) of Subparagraph 4 hereof when the customer purchases property insurance, accident insurance, health insurance or an insurance product that does not require policy value reserve.

8. An insurance enterprise shall adopt the following measures when the beneficiary(ies) of a life insurance policy, investment related insurance policy or annuity insurance policy have been identified or designated:
- (1) Obtaining the name and identification document number or registration (incorporation) date of the designated beneficiary; and
 - (2) For beneficiary(ies) that are designated by contract characteristics or by other means, obtaining sufficient information concerning the

beneficiary to satisfy the insurance enterprise that it will be able to establish the identity of the beneficiary at the time of the payout.

(3) Verifying the identity of the beneficiary(ies) at the time of the payout.

9. A financial institution shall not establish business relationship or conduct occasional transactions with a customer before completing the CDD measures. However, a financial institution may first obtain information on the identity of the customer and its beneficial owner(s) and complete verification after the establishment of business relationship, provided that:

(1) The ML/TF risks are effectively managed, including adopting risk management procedures with respect to the conditions under which a customer may utilize the business relationship to complete a transaction prior to verification;

(2) This is essential not to interrupt the normal conduct of business with the customer; and

(3) Verification of the identities of the customer and its beneficial owner(s) will be completed as soon as reasonably practicable after the establishment of business relationship. A financial institution shall advise its customer in advance that the business relationship will be terminated if verification cannot be completed as soon as reasonably practicable.

10. Where a financial institution is unable to complete the required CDD process on a customer, it should consider filing a suspicious transaction report on money laundering or terrorist financing (STR) in relation to the customer.

11. If a financial institution forms a suspicion of money laundering or terrorist financing and reasonably believes that performing the CDD process will tip-off the customer, it is permitted not to pursue that process and file an STR instead.

12. The CDD process for e-payment accounts shall follow relevant provisions in the Regulations Governing Identity Verification Mechanism and Transaction Limits for Users of Electronic Payment Processing Institutions, to which the provisions of Subparagraphs (4) ~ (7) hereof do not apply.

13. The provisions of Item (3) of Subparagraph 4 and Subparagraph 6 hereof do not apply to electronic stored value card registration operation.

Article 4 If there exists any of the following situations in the CDD process, a financial institution should decline to establish business relationship or carry out any

transaction with the customer:

1. The customer is suspected of opening an anonymous account or using a fake name, a nominee, a shell company or legal persons/organization to open an account, purchase insurance or register a stored value card;
2. The customer refuses to provide the required documents for identifying and verifying its identity;
3. Where any person acts on behalf of a customer to open an account, register a stored value card, register an e-payment account, apply for insurance, file an insurance claim, request a change of insurance contract or conduct a transaction, it is difficult to check and verify the fact of authorization and identity-related information;
4. The customer uses forged or altered identification documents;
5. The customer only provides photocopies of the identification documents; the preceding provision does not apply to businesses where a photocopy or image file of the identification document supplemented with other control measures are acceptable under other laws or regulations;
6. Documents provided by the customer are suspicious or unclear, the customer refuses to provide other supporting documents or documents provided by the customer can not be verified;
7. The customer procrastinates in providing identification documents in an unusual manner;
8. The customer is an individual, a legal person or an organization sanctioned under the Terrorism Financing Prevention Act, or a terrorist or terrorist group identified or investigated by a foreign government or an international organization, except for payments made under Subparagraphs 1 to 3, Paragraph 1, Article 6 of the Terrorism Financing Prevention Act; or
9. Other unusual circumstances exist in the process of establishing business relationship or conducting transaction and the customer fails to provide reasonable explanations.

Article 5 The CDD measures of a financial institution shall include ongoing customer due diligence and comply with the following provisions:

1. A financial institution shall apply CDD requirements to existing customers on the basis of materiality and risk, and conduct due diligence on such existing relationships at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained. The aforementioned appropriate times shall

include at least:

- (1) When the customer opens another new account, registers another new stored value card, registers another new e-payment account, increases the amount insured irregularly or enters new business relationships with the financial institution;
 - (2) When it is time for periodic review of the customer scheduled on the basis of materiality and risk; and
 - (3) When it becomes known that there is a material change to customer's identity and background information.
2. A financial institution shall conduct ongoing due diligence on the business relationship to scrutinize transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, its business and risk profile, including, where necessary, the source of funds.
 3. A financial institution shall periodically review the existing customer records to ensure that documents, data or information of the customer and its beneficial owner(s) collected under the CDD process are adequate and kept up-to-date, particularly for higher risk categories of customers, whose reviews shall be conducted at least once every year.
 4. A financial institution can rely on existing customer records to undertake identification and verification without the need to repeatedly identify and verify the identity of an existing customer when carrying out transactions. However, a financial institution shall conduct CDD measures again in accordance with Article 3 when it has doubts about the veracity or adequacy of the records, where there is a suspicion of ML/TF in relation to that customer, or where there is a material change in the way that the customer's transaction is conducted or the customer's account is operated, which is not consistent with the customer's business profile.

Article 6 A financial institution shall determine the extent of applying CDD and ongoing due diligence measures under Subparagraph 4 of Article 3 and the preceding article based on a risk-based approach (RBA):

1. For higher risk circumstances, a financial institution shall perform enhanced CDD or ongoing due diligence measures, including adopting at least the following additional enhanced measures:
 - (1) Obtaining the approval of senior management before establishing or entering a new business relationship;
 - (2) Taking reasonable measures to understand the sources of wealth and

the source of funds of the customer. The aforementioned source of funds refers to the substantial source from which the funds generate; and

- (3) Conducting enhanced ongoing monitoring of the business relationship.
2. For customers from high ML/TF risk countries or regions, a financial institution shall conduct enhanced CDD measures commensurate with the risks identified.
3. For lower risk circumstances, a financial institution may apply simplified CDD measures, which shall be commensurate with the lower risk factors. However simplified CDD measures are not allowed in any of the following circumstances:
 - (1) Where the customers are from or in countries and jurisdictions known to have inadequate AML/CFT regimes, including but not limited to those which designated by international organizations on AML/CFT as countries or regions with serious deficiencies in their AML/CFT regime, and other countries or regions that do not or insufficiently comply with the recommendations of international organizations on AML/CFT as forwarded by the FSC; or
 - (2) Where there is a suspicion of ML/TF in relation to the customer or the transaction.

The provisions of Items (1) and (2) of Subparagraph 1 of the preceding paragraph do not apply to stored value card registration operation.

An insurance enterprise should include the beneficiary of a life insurance policy as a relevant risk factor in determining whether to apply enhanced CDD measures. If the insurance enterprise determines that a beneficiary who is a legal person or a trustee presents a higher risk, it should take enhanced CDD measures which should include reasonable measures to identify and verify the identity of the beneficial owner of the beneficiary at the time of payout.