

Regulations Governing Investment of Postal Savings in Beneficiary Certificates, Listed Securities and Over-the-Counter Securities

Article 1

The regulations hereof are being established as mandated by paragraph 3, Article 18 of the Postal Remittances and Savings Act.

Article 2

Postal savings may be invested in the following domestic and foreign beneficiary certificates as well as exchange-listed and over-the-counter stocks:

1. Legally and publicly issued beneficiary certificates of securities investment trust funds and mutual trust funds as well as any other beneficiary certificates approved by competent authorities of foreign countries.
2. Exchange-listed and over-the-counter stocks: new shares entitlement certificates; and, under "specific person" status, capital increase shares issued by exchange-listed or over-the-counter companies that their original shareholders and employees have decided against buying, as well as stocks of exchange-listed or over-the-counter companies that have just been approved for sale.

When investing in overseas beneficiary certificates, exchange-listed or over-the-counter stocks as mentioned in the previous paragraphs, the investment should be carried out in accordance with relevant regulations of the Financial Supervisory Commission of the Executive Yuan (FSC) and the Central Bank of China (CBC).

Article 3

The upper limits of investment in domestic and foreign beneficiary certificates by the postal savings held by Chunghwa Post Co., Ltd. (hereinafter called Chunghwa Post) are as follows:

1. The total amount of investment made in beneficiary certificates may not exceed 5% of postal savings.
2. The total amount of investments made on an individual fund may not exceed 10% of the total of the beneficiary certificates issued by the said fund.

Article 4

The upper limit of investment in domestic and foreign exchange-listed and over-the-counter stocks by the postal savings held by Chunghwa Post are as follows:

1. The total amount of investment made in stocks may not exceed 10% of postal savings.
2. The total amount of investment made in stocks of an individual company may not exceed 1% of postal savings and 10% of the actual capitalization of the said company.

Article 5

Postal savings may not be invested in stocks, new share entitlement certificates and beneficiary certificates of security investment trust funds issued by a company where the person-in-charge of Chunghwa Post serves as a board director, a corporate supervisor or a manager. With the exceptions of when the person-in-charge of Chunghwa Post is appointed by Chunghwa Post and with the approval of the Ministry of Transportation and Communications (MOTC) and the FSC to be the said company's board director, corporate supervisor or manager.

The person-in-charge or any employees of Chunghwa Post may not serve as the person-in-charge of any exchange-listed or over-the-counter companies being invested in by Chunghwa Post, with the exception of cases that have been reported to and gained the approval of the MOTC and the FSC.

Before the enforcement of the regulations hereof, if any postal savings' investment in beneficiary certificates or exchange-listed or over-the-counter stocks has violated stipulations of the two preceding paragraphs, then Chunghwa Post shall draw up an adjustment plan, about which a report shall be submitted to the MOTC and the FSC for reference.

Article 6

Chunghwa Post shall draw up an internal operations manual regarding investment in beneficiary certificates and exchange-listed or over-the-counter stocks. The manual shall cover transaction control procedures and principles, authorized amounts, stop-loss points, the execution risk and risk management departments, price assessment methods, investment analysis reports, the making of documents that record transactions and the length they shall be kept in files. This manual should be submitted to the board of directors for approval before implementation.

The execution risk and risk management departments as mentioned in the preceding paragraph hereof shall be set up independently.

Article 7

When investing in beneficiary certificates, exchange-listed and over-the-counter stocks, Chunghwa Post shall commission a domestic or foreign securities broker, securities investment trust company, asset management company or a financial institution or securities firm approved to handle this kind of business by the FSC.

Article 8

Chunghwa Post may commission or entrust a financial institution or securities firm that is approved to handle this kind of business by the Financial Supervisory Commission of the Executive Yuan or commission a foreign asset management company to invest in beneficiary certificates, exchange-listed and over-the-counter stocks.

The standards for selecting a financial institution, securities firm or foreign asset

management company commissioned or entrusted by Chunghwa Post as mentioned in the preceding paragraph and regulations governing these kinds of investments shall be established separately by Chunghwa Post.

Article 9

Chunghwa Post shall open up an account with the Taiwan Securities Central Depository for custody of the domestic beneficiary certificates of the closed-end mutual funds and exchange-listed and over-the-counter stocks that Chunghwa post purchases.

Chunghwa post shall establish a custodian department for the safe keeping of the domestic beneficiary certificates of the open-end mutual funds it purchases. The foreign beneficiary certificates and exchange-listed and over-the-counter stocks that Chunghwa post purchases shall be deposited with the company's custodian department or a central securities depository.

Article 10

When Chunghwa Post prepares its final accounts at the end of the fiscal year, the beneficiary certificates and exchange-listed and over-the-counter stocks that Chunghwa Post owns shall be assessed in accordance with general accounting principles.

Article 11

When Chunghwa Post loans out domestic ETF beneficiary certificates and listed (over the counter) securities that it invested in accordance with Article Two hereof, the book cost of these ETF beneficiary certificates and listed (OTC) securities shall still be included in the upper limit specified in Article Three and Article Four hereof respectively, and the relevant regulations of the FSC over banks and investment trust companies shall apply.

The regulations governing the loaning of foreign beneficiary certificates and exchange-listed and over-the-counter stocks shall be set separately by Chunghwa Post.

Article 12

The regulations hereof shall become effective on the day of proclamation.