

Appendix: Suspicious Types of Transactions Suggesting Money Laundering And Terrorism Financing

Approved by the Financial Supervisory Commission

per 8 November 2017 Letter No. Financial-Supervisory-Securities-Firms-1060035102

1. Customer account types:

(1) The customer is introduced by an overseas bank, a company with which it has a relationship of control or subordination, or other investors, and the customer and the person who introduces the customer are from jurisdictions known to have inadequate AML/CFT regimes.

(2) Opens multiple accounts without good cause, and the beneficial owner of the accounts is the same person.

(3) Open multiple investment accounts, for each of which the same person is designated as the joint or authorized trustor.

(4) Identical contact information, such as address, phone number, or email address, is given for accounts of multiple different customers, but no obvious relationship between the customers can be seen based on the other information given, such as names, ages, places of residence, phone numbers.

(5) A customer changes his/her personal information frequently, such as address, phone number, or email address, but there is no clear evidence to prove that the changes are real or have good cause.

(6) The transaction amount applied for by a legal person customer is clearly incommensurate with its capital, operating revenue, liquid cash, or other reliable assessment of assets, or the company has been established an extremely short period of time.

(7) The customer is a politically exposed person, but attempts to evade filling the application

form out correctly and completely, or does not fully elucidate the propriety of his/her sources of funds or securities.

(8) The customer refuses to provide data requested, or refuses to follow due diligence or continuous monitoring procedures.

(9) Multiple accounts are opened under names of different companies, but the companies share an identical statutory representative or authorized signatory.

(10) The applicant attempts to bribe or threaten personnel, so as to provide incomplete content on the application form or make the employed personnel accept incomplete or erroneous information.

(11) The customer is from a country or region with high money laundering or terrorism financing risk, or a country or region with high tax avoidance risks or strict financial confidentiality, as advised by international AML organizations.

## 2. Transaction types:

(1) The customer engages in large trades of securities.

(2) The customer conducts block trades as paired trades with a same person for a certain period without reasonable justification.

(3) The customer purchases (or sells) and then immediately sells (or purchases) securities, and the trades differ from the customer's past trading patterns, are incommensurate with his/her/its identity, or lack reasonable justification.

(4) A newly opened account or an account that has not engaged in transactions for a certain period of time starts to engage in large transactions suddenly.

(5) An account opened collectively by company employees or members of a specific group engages in large and frequent transactions.

(6) There are continuous large transactions through a trading account, consisting solely of high-

priced buys with no (or few) sales, or solely of low-priced sales with no (or few) buys, or the stock price is maintained at a certain price level.

(7) Multiple accounts of persons other than the customer, or persons serving as agents, are used to disperse large transactions.

(8) Settlement funds over NT\$500,000 are transferred by a person other than the customer himself/herself/itself to the securities firm; or the customer asks the securities firm to transfer his/her/its funds receivable of over NT\$500,000 to one or multiple accounts of persons other than the customer; or multiple customers ask the securities firm to transfer their settlement funds receivable to a same account.

(9) Continuous large transactions of specific stocks in a short term without reasonable justification.

(10) Use of a dummy account, a third person, or accounts of the same customer at different branches of the same securities firm, to engage in continuous large stock transactions through cross trading, wash trading, or other methods.

(11) The customer, without reasonable justification, applies to substantially adjust his/her/its single-day trading limit, and purchases a basket of shares or other securities in large quantity in the market.

(12) The customer suddenly purchases or sells a large quantity of securities that are not actively traded or that are issued by a small-scale company or a company in poor financial or operational condition.

(13) The customer suddenly and rapidly buys or sells securities of a single company, and is suspected of engaging in insider trading.

(14) When an individual implicated in a special or material case reported in a media such as TV, newspapers, magazines, or the Internet is customer of the securities firm, and engages in clearly

irregular transactions.

(15) An insurance agent or insurance broker who engages in business solicitation for any type of insurance engages in large transactions through the securities firm after learning that there has been a change in the proposer of an insurance policy and that the new proposer, within a short time thereafter, has applied for a change of the beneficiary, requested a large policy loan, or terminated the contract.

(16) The customer fails to perform a settlement obligation, and the amount of the settlement default is NT\$10 million or more.

(17) The customer engages in trades other than through competitive auction, and the trade price deviates significantly from the market price.

(18) The securities firm serves as a distributor or co-marketer of a fund(s), and discovers that there are rapid transfers of a trader's funds between various financial instruments, in an obviously irregular manner.

(19) Any other obviously irregular transactions or suspicious circumstances come to the attention of the securities firm's personnel, regardless of the transaction amounts or whether the transactions are completed.

### 3. OSU types:

(1) The customer's custody account has accumulated a large sum of money, and the money is rarely used for settlement and clearing of any transactions, and is often transferred to his/her/its overseas account.

(2) The customer's custody account has allocated and transferred money many times to a country or region with high money laundering or terrorism financing risks, or a country or region with high tax avoidance risks or strict financial confidentiality, as advised by international AML organizations.

(3) The customer frequently purchases large amounts of offshore structured products, and those products are not suited to the customer's own needs.

(4) The customer conducts securities trades in many different countries or regions, especially including trades in countries or regions with a high risk of money laundering or terrorism financing.

4. Terrorism financing types:

(1) The customer, the customer's agent, or the customer's beneficial owner is a terrorist or terrorist group as advised by the competent authority based on information provided by foreign governments, or a terrorist organization identified or investigated by an international organization against money laundering; or there is suspicion, or reasonable grounds to suspect, that the funds for a transaction are linked with a terrorist activity, terrorist organization, or financing of terrorism.

(2) The trading counterparty is a terrorist or terrorist group as advised by the Financial Supervisory Commission (FSC) based on information provided by foreign governments, or a terrorist organization identified or investigated by an international organization against money laundering; or there is suspicion, or reasonable grounds to suspect, that the funds for a transaction are linked with a terrorist activity, terrorist organization, or financing of terrorism.