

Amundi-Mirae deal highlights regulatory hurdles in Taiwan

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By [Wong Wei Han](#) November 20, 2018

[Amundi Asset Management](#)'s recent decision to acquire [Mirae Asset Global Investments](#)' Taiwan unit highlights an increasingly demanding regulatory landscape for offshore players in the market, industry watchers say.

Paris-headquartered Amundi has [agreed](#) to acquire Mirae's Taiwan unit, with the deal expected to be completed by the end of December, subject to final approval by Taiwan's [Financial Supervisory Commission](#).

The planned acquisition is the latest step Amundi takes to boost its business in Asia, where the firm wants to [grow](#) its assets under management to US\$300 billion by the end of 2020. When contacted, Amundi declined to further comment.

Analysts believe that Amundi is clearly aiming for Mirae's securities investment trust enterprise licence, which will allow it to manufacture, distribute and manage onshore funds in Taiwan. Amundi currently operates a securities investment consulting enterprise, which only allows it to sell offshore funds in Taiwan.



Donna Chen, Keystone Intelligence

“Like all the foreign companies with a growing business in Taiwan, Amundi is facing pressure from regulators to have an onshore platform. Acquiring a SITE is the quickest way to achieve that, and we’ve seen several such cases in recent years,” says Donna Chen, president and founder of Keystone Intelligence in Taipei.

Chen points to [Aberdeen Asset Management](#), now Aberdeen Standard Investments, as an example, because it [acquired](#) SITE licensee [Value Partners](#) Concord in August last year. Others, such as [Neuberger Berman](#) and [UOB Asset Management](#), have opted for applying for a SITE licence directly to absorb their existing SICE entity.

These consolidations reflect foreign managers' frustrations as Taiwan's regulator tightened the requirements for offshore fund launches in an attempt to compel companies to develop a meaningful onshore presence. The key thrust of these rules [came into effect](#) in October 2015.

"Under the 2015 amendments, a foreign fund house with a majority-owned Taiwan entity [that] has a monthly average of NT\$50 billion (US\$1.62 billion) in assets sourced in Taiwan must meet one of four criteria before the FSC can approve its offshore fund registration," Chen explains. "For example, it must have a SITE managing at least NT\$5 billion in onshore assets in the previous year, or it has to have a SICE managing at least NT\$3.5 billion of discretionary investment assets."

Amundi is the seventh-largest offshore fund provider in Taiwan, with around US\$5.58 billion in AUM sourced from Taiwan investors. But it only manages an onshore discretionary mandate of NT\$2 billion, according to Keystone Intelligence's data.

The 2015 criteria followed an announcement in November 2014 that reduced the cap on Taiwan-sourced assets in an offshore fund from 70% to 50%.



Xav Feng, Refinitiv

Xav Feng, Taipei-based Asia-Pacific research head for Refinitiv, says the FSC is concerned over the dominance of offshore funds in Taiwan.

"The FSC wants something of a 50-50 balance between offshore and onshore funds in the market, instead of the current situation where offshore funds have around 70% of assets," he says.

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"It's never been difficult for foreign fund houses to sell offshore funds in Taiwan. But the [regulatory] environment now means that companies must also pay attention to how they grow," he adds. "A SITE has become necessary for those who are serious and ambitious about having a strong presence in Taiwan."

Chen adds that a SITE licence also opens up more business opportunities: “A SITE can do a lot more than a SICE, including issuing both public and private placement funds as well as futures trust funds, in addition to bidding for domestic mandates delegated by government pension funds.”

Too much for smaller players

The FSC has over the years adopted what appears to be a carrot-and-stick approach as it tries to foster a more balanced fund industry.

While the rules for offshore fund launches have been tightened, special waivers are given to companies deemed to have contributed to the development of the local fund industry, under the so-called Deep Cultivation Plan* (鼓勵境外基金深耕計畫).

First introduced in 2013, the incentive scheme restores the cap on Taiwan-sourced assets for offshore funds to 70%. Other benefits include allowing companies to submit up to three offshore funds for FSC registration in one go and a faster product approval process.

The FSC selects recipients for the scheme annually. There are seven companies selected this year, including [AllianceBernstein](#), [Allianz Global Investors](#), [Eastspring Investments](#), [Franklin Templeton Investments](#), [Schroders](#), [Fidelity International](#) and [J.P. Morgan Asset Management](#).

The scheme also has a maze of criteria that are not easy to meet, Keystone Intelligence’s Chen says. For instance, one of the three main criteria is on local talent development. It expects a company to meet at least one of three requirements: offering at least 36 months of local staff training in the past year; collaborating with local schools for training programmes; or investing in product research, design and risk management capabilities in Taiwan – all with tangible results.

“Looking at these rules [...] it’s clear that only the big and established companies can meet them without too much difficulty,” Chen says. “I won’t be surprised if smaller companies or newcomers to the Taiwan market find the regulations to be unfair to them. There is certainly scope for the FSC to review and perhaps lower some of the existing requirements.”

Refinitiv’s Feng notes that the FSC’s approach will invariably invite comparison between Taiwan and markets with a more open-door policy for offshore funds, like Singapore and Hong Kong.

“But I don’t think the FSC is closing its door on foreign players. Quite the contrary, it wants to see more foreign fund houses coming to Taiwan,” Chen says. “The spirit of the current [regulatory] regime is to ensure companies come here to invest, not just to earn money and leave.”

*Scheme name translated from Chinese