

Taiwan's FSC plans to ease custodian rule for foreign investors

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Taiwan's financial industry regulator plans to ease custody requirements for foreign investors to outsource their mandates to local asset managers as early as July, in a move to attract more overseas allocations to the island state.

Foreign investors are currently only allowed to delegate Taiwanese managers to oversee their mandates after they transfer the funds to domestic custodian banks. A foreign investor is required to have a minimum NT\$5 million (US\$167,409) to open a discretionary account in Taiwan.

The Financial Supervisory Commission (FSC) is proposing to remove the requirement for foreign investors to select a local custodian, if they already have the funds safeguarded by overseas custodian banks.

The regulator unveiled the plan in a draft amendment of the custodian rule posted on its website on May 4. The FSC is seeking feedback on the move through 60 days of public consultations.

"If it does not receive any strong opposition, the new regulation will be officially implemented in late July," an FSC spokesman tells *Asia Asset Management (AAM)*.

Chou Hui-mei, deputy director general of the FSC's Securities and Futures Bureau, says the measure will help to motivate more offshore institutional investors to invest in Taiwan through local asset managers.

Currently, there is only about NT\$6 billion of assets under management (AUM) from foreign investors in the discretionary accounts of Taiwanese asset managers, according to the FSC.

Easing the custodian rule will boost the foreign outsourcing business of local asset managers, Ms. Chou says in a statement on May 4.

According to Donna Chen, founder and president of Taipei-based financial advisory firm Keystone Intelligence Inc., foreign investors would have already appointed international custodians to safeguard their funds, so it's inconvenient for them to transfer the money to local custodian banks when they outsource investments to Taiwanese managers.

"Under the (proposed) new rule, foreign investors can avoid this procedure. The investors only have to transfer the net amount (to Taiwan) when their external managers settle the transactions or investments for them," Ms. Chen tells *AAM*.

She predicts foreign investors, including wealth managers, will raise their exposure to the Taiwan market if the FSC eases the regulation as planned.

Taiwan's local fund houses had approximately NT\$2.44 trillion in total AUM at the end of April, according to data from the Securities Investment Trust & Consulting Association.