

j. Items concerning the implementation of Internal Control System which should be disclosed

1. Internal Control Statement

Taishin Financial Holding Co., Ltd.
Statement of Internal Control System

March 25, 2021

Financial Supervisory Commission,

On behalf of Taishin Financial Holding Co., Ltd.(the Company), we hereby declare that, for the fiscal year of 2020, the Company has established internal control policies and implemented risk management system in accordance with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries”. These policies and practices were also inspected by the independent Audit Division which reported regularly to the Company’s Board of Directors and Audit Committee.

Following our diligent assessment, we concluded that the Company’s internal control, legal and compliance practices for the fiscal year of 2020 were implemented effectively, the improvement items listed on the attachment are also being executed properly. This statement will constitute part of the company’s annual report and prospectus and will be publicly disclosed.

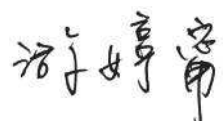

We understand that we are legally bound to the “Securities and Exchange Act” Articles 20, 32, 171, and 174.

Sincerely yours,

Chairman:  

President:  

Chief Auditor:  

Compliance Officer:  

Taishin Financial Holding Co., Ltd.
Improvement Plan of Internal Control System

Base Date: 2020.12.31

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin International Bank(TSIB)		
1. A defect was found in the handling of investment-linked insurance policy purchases by customers using loaned funds.	(1) If a customer has taken out a loan with the bank prior to purchasing an investment-linked insurance policy from the bank, customer services must use audio recordings to verify the source of the paid premiums with the customer before accepting the purchase. (2) The information of a customer who had taken out a loan before subscribing to insurance products must be reviewed by a supervisor. (3) Strengthen notification on the purpose for the fund.	Completed.
2. Embezzlement by a financial advisor.	(1) Adjust counter-transaction work procedures, add transaction monitoring reports for financial advisors and their affiliated accounts, and adopt campaign mechanisms to help customers safeguard their rights and interests. (2) Send an SMS to the customer when a transaction exceeds a certain amount. The supervisor must review the matter, thereby adding another barrier against fraud. (3) The installation of recording equipment that can preserve full audio and video footage of entire transactions by tellers has been planned, and is expected to be complete by the end of December 2021.	(1) Completed. (2) Will be completed by the end of March 2021. (3) Will be completed by the end of December 2021.
3. Erroneous file destruction by outsourced warehouse.	(1) The file storage period is automatically converted into a date by the system to prevent manual entry error by the vendor. (2) The vendor must provide a file that lists data changes to this bank on a monthly basis to ensure the data delivered to the warehouse is correct. (3) Inspect the outsourced warehouse site three times a year, and check whether file creation and verification operations are rigorously carried out.	Completed.
4. The competent authority issued a letter stating that a matter to be carried out was not handled properly or was not reported to the appropriate level.	The bank has reviewed and revised the relevant operating standards for compliance.	Completed.
5. AML / CFT operations have two inadequacies as follows: (1) Some of the content in the Enhanced Review Questionnaire was not filled in correctly during annual customer identity information reviews. (2) Customer name verification was not performed correctly when an OBU opened an account.	(1) <ul style="list-style-type: none"> • The business unit has verified the execution of this operation, which was caused by selecting the wrong box due to misunderstandings towards the questionnaire's questions. It has been adjusted accordingly. • Inspect and strengthen the comprehensibility of the review questionnaire. (2) <ul style="list-style-type: none"> • Improvements have been made in the relevant cases, and have been publicized in the February 2021 electronic newsletter. • Inspect and adjust the name verification procedures. 	(1) <ul style="list-style-type: none"> • Completed • Will be completed by the end of May 2021. (2) <ul style="list-style-type: none"> • Completed • Will be completed by the end of May 2021.

Items for Improvement	Improvement Measures	Scheduled Date of Completion
Taishin Securities		
1. The futures position was offset on behalf on an account holder, for which the first market order was implemented at market price.	(1) Starting from May 4, 2020, the computer system will assist in offsetting positions on behalf of customers. (2) Multiple drills and training courses on offsetting transactions were held company-wide in 2020, as to enhance employees' knowledge on offsetting transactions.	Completed.
2. AML / CFT operations: (1) Enhanced measures, in particular, inquiry about their source of wealth or funds, were not adopted for high-risk customers. Therefore, enhanced due diligence on high-risk customers was not properly implemented. (2) When performing review upon account opening and regular review of customers, information on beneficial ownership was not requested from an international institution and information on beneficial ownership of a legal entity was not properly filed. Therefore, beneficial ownership scrutiny was not properly implemented.	(1) Enhanced due diligence measures on high-risk customers have been reinforced. Sales personnel must carry out face-to-face or phone interviews and fill in the AML/CFT Enhanced Due Diligence Questionnaire to learn about the customer's source of wealth or funds. (2) Beneficial ownership scrutiny has been reinforced, and the types of customers that must undergo such process have been stated: organizations, trusts, private-equity funds, overseas investors, etc. Beneficial ownership scrutiny must be carried out for these. A list of documents and an ownership structure chart have been included for employees to better understand the process and identify beneficial owners.	Completed.
Taishin Securities Investment Trust		
1. Documents were not requested from a legal entity customer to identify the natural person with ultimate control. The Customer Risk Assessment Table was not filled in according to Taishin FHC's list of high-risk jurisdictions.	Relevant documents have been requested from the client and the natural person who holds ultimate control has been identified. The customer's risk rating has been adjusted so that it complies with classification in Taishin FHC's list of high-risk jurisdictions.	Completed.
2. Parameters had not been established according to the characteristics of the types of transactions suspected of money laundering and terrorism financing established. "On the same business day" is a screening criteria for the transaction types and supervision tasks that must be carried out "on a regular basis", but it was not followed properly.	Parameters have been established according to the characteristics of the types of transactions stated in the newly-formulated List of Supervision Tasks for Transactions Suspected of Money Laundering, Terrorism Financing or Proliferation Financing. Concrete supervision indicators have been established for the transaction types and supervision tasks that must be carried out "on a regular basis".	Completed.

2. Report of independent auditor appointed to conduct special audit on the company's internal control system: Nil.