

# SCSB's Preventing Insider Trading Administration Measures

Prepared by the Strategic Planning of the Head Office

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## **Article 1 Purpose**

In order to prevent insider trading, the Measures is formulated in accordance with Article 157-1 of the Securities and Exchange Act and related laws and regulations.

## **Article 2 Definition**

1. Insider: According to the Securities and Exchange Act, the scope of the Bank insiders includes directors, managers, natural persons designated by the government or legal persons to exercise directors' powers, and shareholders holding more than 10% of the total shares °
2. Object regulated by insider trading: Except insiders in the preceding paragraph, it also includes those who has learned the information by reason of occupational or controlling relationship, those who though no longer among those listed in the aforementioned persons has only lost such status within the last six months, and those who has learned the information from the aforementioned persons.
3. Pursuant to the provisions of Article 157-1, paragraph 1 and paragraph 2 of the Securities and Exchange Act and the provisions of Article 10, paragraph 4 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, object regulated by insider trading has the following circumstances, which constitutes insider trading:
  - (1) Upon actually knowing of any information that will have a material impact on the price of the securities, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, the persons listed in the preceding paragraph shall not sell, in the person's own name or in the name of another, the non-equity-type corporate bonds of such

company that are listed on an exchange or an over-the-counter market;

(2) Upon actually knowing of any information that will have a material impact on the ability of the issuing company to pay principal or interest, after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure, the persons listed in the preceding paragraph shall not sell, in the person's own name or in the name of another, the non-equity-type corporate bonds of such company that are listed on an exchange or an over-the-counter market.

(3) Stock trading 30 days before the annual financial reports being issued, or 15 days before the quarterly financial reports being issued.

4. The phrase "information that will have a material impact on the price of the securities" shall mean information relating to the finances or businesses of the Bank, or the supply and demand of such securities on the market, or tender offer of such securities, the specific content of which will have a material impact on the price of the securities, or will have a material impact on the investment decision of a reasonably prudent investor.

Information relating to the finances or businesses of a Bank that would have a material impact on its stock price or on the investment decisions of a reasonably prudent investor means any of the following:

(1) A matter provided in Article 7 of the Securities and Exchange Act Enforcement Rules.

(2) The Bank carries out any material transaction of public offering and issuance or private placement of equity-type securities, capital reduction, corporate merger, acquisition, or split, share exchange, conversion, or transfer of shares from others, direct or indirect investment project, or there is any material change in any of the above matters.

(3) The Bank is in proceedings for reorganization, bankruptcy, dissolution, or application for stock delisting or termination of OTC securities trading, or there is any material change in any of the above matters.

(4) A member of the Bank's board of directors is subject to a provisional injunction ruling suspending his or her exercise

of powers, making it impossible for the board of directors to exercise its powers, or all independent directors of the Bank are removed from office.

- (5) Occurrence of a disaster, group protest, strike, or environmental pollution, or any other material event, where the Bank incurs a material loss, or where a relevant authority orders suspension of work, suspension of business, or termination of business, or revokes or voids a relevant permit.
- (6) Dishonor of a negotiable instrument, filing for bankruptcy or reorganization, or any other similar event of a material nature, with respect to a related party of the Bank or to a principal debtor or a joint and several guarantor of a principal debtor; or inability by a principal obligor, in favor of whom the Bank has made an endorsement or guarantee, to settle a matured negotiable instrument, loan, or other obligation.
- (7) Occurrence of a significant event of internal control-related malpractice, non arms-length transaction, or defalcation of Bank assets.
- (8) Suspension of part or all of business transactions between the Bank and a principal client or supplier.
- (9) Upon occurrence of any of the following with respect to a financial report of the Bank:
  - i. Failure to make a public announcement or a filing in a manner consistent with the requirements of Article 36 of the Act.
  - ii. An error or omission in a financial report prepared by the Bank, with respect to which Article 6 of the Securities and Exchange Act Enforcement Rules requires a correction to and further a restatement of the financial report.
  - iii. A certified public accountant issues an audit or review report containing an opinion other than an unqualified or modified unqualified opinion. The same does not apply, however, in cases where the certified public accountant issues a qualified audit or review report for the reason of annual amortization of losses, as permitted by law, or for the reason that an amount of long-term equity investment and

profit/loss thereupon presented in the first-quarter, third-quarter, or semiannual financial report is calculated on the basis of financial statements of the investee company that have not been audited or reviewed by a certified public accountant.

- iv. A certified public accountant issues an audit or review report indicating substantial doubt about the going-concern assumption.
- (10) A significant discrepancy between financial forecasts already publicly disclosed and actual figures or between updated (or corrected) financial forecasts and original forecasts.
- (11) The Bank's operating income or income before tax shows a significant change from the same period of the previous year, or shows a significant change compared with the previous period and the change is not caused by seasonal factors.
- (12) When any of the following accounting events occurs to the Bank, and the event, although it does not affect the profit/loss of the current period, has resulted in a material change in the net worth of the current period:
  - i. Revaluation of assets.
  - ii. Valuation of financial instruments.
  - iii. Foreign currency translation adjustments.
  - iv. Financial instruments accounted for using hedge accounting.
  - v. Net losses not recognized as retirement fund costs.
- (13) The fundraising plan for corporate bond redemption cannot be carried out.
- (14) The Bank buys back its own shares.
- (15) The Bank makes or suspends a public tender offer to acquire securities issued by a public company.
- (16) The Bank acquirers or disposes of a major asset.
- (17) If the Bank has issued securities overseas, occurrence of a material event that requires prompt public announcement or filing, as provided in the government laws and regulations, or securities exchange market rules and regulations, of the country where the securities are listed.
- (18) Other matters relating to the finances or businesses of the Bank that would have a material impact on its stock price

or on the investment decisions of a reasonably prudent investor.

Information relating to the market supply and demand of such securities that would have a material impact on its stock price or on the investment decisions of a reasonably prudent investor means any of the following:

- (1) The Bank's securities traded on the centralized securities exchange market or the OTC securities market are subject to a public tender offer or suspension of a public tender offer.
  - (2) Any material change in the shareholding of the Bank or its controlling company.
  - (3) The Bank's securities traded on the centralized securities exchange market or the OTC securities market are subject to an event of bidding, auctioning, material default in settlement, change of the original method of trading, or suspension, limitation, or termination of trading, or there is any circumstance that may lead to any such event.
  - (4) Persons duly charged with exercising searches under the law conduct a search of the Bank, its controlling company, or any of its major subsidiaries as defined in Article 2-1, paragraph 2 of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants.
  - (5) Any other matter relating to the market supply and demand of such securities that would have a material impact on the Bank's stock price or on the investment decisions of a reasonably prudent investor.
5. Information that will have a material impact on the ability of the Bank to pay principal or interest means any of the following:
- (1) Any matter set out in Article 7, subparagraphs 1 to 3 of the Securities and Exchange Act Enforcement Rules.
  - (2) Any matter set out in paragraph 4, subparagraph 2, item 5 to 8, item 9-iv, and item 13 of Article 2 herein.
  - (3) The Bank is in proceedings for reorganization, bankruptcy, or dissolution.
  - (4) The Bank suffers a material loss, and the loss is likely to result in financial difficulty, suspension of business, or termination of business.
  - (5) The amount of the Bank's current assets, with inventory

and prepaid expenses deducted and net cash inflows generated before the maturity date of corporate bonds added, is insufficient to cover the principal or interest due in the near future for the most recent period and other current liabilities.

- (6) The interest of any already issued corporate bonds is calculated at a non-fixed interest rate, and the interest expenses have risen significantly due to market interest rate fluctuations and affect the ability of the Bank to pay principal or interest.
- (7) Any other matter that could affect the ability of the Bank to pay principal or interest.

### **Article 3 Authority and responsibility unit**

1. The Strategic Planning of the Head Office is responsible for the formulation and maintenance of the Measures, and the release of press to the media.
2. The spokesperson of the Bank is responsible for the unified speech and the release of material information.
3. The Accounting Department is responsible for disclosing financial business information in accordance with the regulations of the competent authority
4. The Compliance Department is responsible for establishing a legal compliance system and providing relevant legal advice.
5. The Legal Affairs Department is responsible for providing consultation on related legal affairs.
6. The Auditing Department is responsible for checking and evaluating the appropriateness and effectiveness of the internal control system to prevent insider transactions.
7. The Strategic Planning of the Head Office is responsible for declaration and management of the insiders' information.
8. The Secretarial Office of Board is responsible for the correctness of directors' information, the Human Resources Department is responsible for managers, the Strategic Planning of the Head Office is responsible for shareholders holding more than 10% of the total shares.

### **Article 4 Scope of application**

According to the provisions of Article 157-1, paragraph 1 of the Securities and Exchange Act, the following persons shall fall

within the scope of application of the prohibition on insider trading, including:

1. Directors, managers of the Bank, and natural persons designated to exercise powers as representatives.
2. Shareholders holding more than 10% of the shares of the Bank.
3. Any person who has learned the information by reason of occupational or controlling relationship.
4. A person who, though no longer among those listed in the preceding three subparagraphs, has only lost such status within the last six months.
5. Any person who has learned the information from any of the persons named in the preceding four subparagraphs.

According to Article 22-2, paragraph 3 of the Securities and Exchange Act, the calculation of shares held by insiders shall include their spouses and minor children and those held under the names of other parties. It is also applied to those who lost identity within the last six months.

## **Article 5 Disclosure**

1. The date of existence of the information described in the preceding three articles shall be the date of the fact, agreement, contract signature, payment, request, execution of transaction, transfer of title, resolution of the audit committee or board of directors, or other precise date based on concrete evidence, whichever comes first.
2. For the purposes in paragraph 4, subparagraph 2, and paragraph 5 of Articles 2, public disclosure of information means a company enters such information into the Market Observation Post System. For the purposes of Article 2, paragraph 4, subparagraph 3, public disclosure of information means any of the following:
  - (1) The Bank enters such information into the Market Observation Post System.
  - (2) The Taiwan Stock Exchange Corporation publicly announces the information on the Market Information System website.
  - (3) The GreTai Securities Market publicly announces the information on the Market Information System website.
  - (4) Coverage of the information by two or more daily national newspapers on non-local news pages, national television

news, or electronic newspapers issued by any the aforesaid media.

The authority and responsibility unit shall disclose the information of Article 2, paragraph 4 and 5 within the prescribed time limit in accordance with the public disclosure method of the preceding paragraph and ensure the accuracy of the information.

3. Insiders and employees of the Bank shall do the care and loyalty obligations of good managers and perform business with principle of good faith. Except in accordance with other regulations of the Bank, they shall not disclose material internal information to others, nor inquire or collect undisclosed material internal information that is not related to personal position.
4. Institutions or personnel outside the Bank shall sign confidentiality agreements for participating in the Bank's mergers and acquisitions, important memoranda, strategic alliances, other business cooperation plans or important contracts, and shall not disclose internal information of the Bank to others.

#### **Article 6 Information security**

The transfer and storage of internal information files of the Bank shall be handled in accordance with the provisions of the Bank's Information Hierarchical Administration Guidelines.

#### **Article 7 External statements**

1. The Bank's external statements shall be handled in accordance with the provisions of the Bank's Spokesperson and External Press Release Administration Measures, but when necessary, the Senior Executive Vice President or above may be directly responsible for handling.
2. If the report of the media does not match the content disclosed by the Bank, the Bank should request the media to correct.

#### **Article 8 Violation handling**

1. If a leak of material internal information is aware, the Bank should report it to the authority and responsibility unit which is in charge of it and the Auditing Department as soon as possible. After receiving the report, the authority and responsibility unit should formulate countermeasures, and if



necessary, invite relevant departments to discuss and deal with it. The processing results should be recorded for future reference, and the Auditing Department should also conduct inspections based on their duties.

2. For employees of the Bank who violate the relevant provisions of the Measures, the Personnel Review Committee shall take account of the seriousness of the circumstances and pursue accountability in accordance with relevant provisions.
3. If material internal information is leaked by person outside the Bank, causing damage to the Bank's property or interests, the Bank shall pursue legal liabilities through relevant channels.

#### **Article 9 Regulations for preventing insider trading with investee enterprise**

The bank's designated legal person directors and supervisors representatives of the investee enterprise and employees who have been informed of material information about the investee enterprise based on their positions shall also abide by the relevant provisions of the Measures. Any violation will be dealt with in accordance with Article 8 paragraph 2.

#### **Article 10 Insider's new appointment/dismissal information declaration**

1. The insider's new appointment/dismissal and his spouse, minor children, and those who hold stocks in his name are changed :
  - (1) Unless there are special circumstances, the Human Resources shall notify the Strategic Planning of the Head Office three business days before the effective date of the change after the manager's new appointment/dismissal is announced.
  - (2) When the insider's spouse, minor children, and those who hold stocks in his name are changed, the insider shall immediately notify the Strategic Planning of the Head Office after the fact occurs.
  - (3) The Strategic Planning of the Head Office shall report the relevant information to the competent authority within 2 days after the fact occurs.
2. The director shall sign a declaration of relevant laws and regulations of the insider within 5 days from the date of taking office, and keep it in the Secretarial Office of Board for future

reference. The Strategic Planning of the Head Office shall collect the copies of the declarations and mail them to the competent authority for reference within 10 days from the date of taking office. If there is a justifiable reason which is approved by the competent authority, the filing period may be extended to within 15 days.

3. The manager shall sign a declaration of the relevant laws and regulations of the insider within 5 days from the date of taking office, and keep it in the Human Resources Department for future reference

**Article 11 Handling of outstanding matters**

If there are any issues that are not covered by the Measures, they will be handled in accordance with relevant laws and regulations or the regulations of the Bank.

**Article 12 Additional Provision**

The Measures shall be implemented after the approval of the Board of Directors, and the same shall be applied when revised.