

Q : How is the development of securitization market in Taiwan

A : The Financial Asset Securitization Act and the Real Estate Securitization Act, respectively promulgated on July 24, 2002 and July 23, 2003 in Taiwan, provide a legal basis for the securitization market. Both acts promise opportunities for financial institutions, as well as enterprises, flexible capital allocation, funding costs reducing, better risk management and transparency.

(1) Financial asset securitization

Pursuant to the Financial Asset Securitization Act, financial institutions and other enterprises approved by the FSC may repackage their financial assets and issue beneficiary securities or asset-backed securities. Those securities will be issued to investors through using the conduit vehicle of either a special purpose trust or a special purpose company with the support from credit enhancers and rating agencies.

Taiwan's securitization market has achieved an encouraging start with the first product approved in January 2003. As of September 2009, 57 financial asset securitization products received approval with the total amount of NT\$572.57 billion, and outstanding of financial asset securitization cases amounted to 191.59 billion. Types of products included RMBS, auto-loan ABS, credit-card/cash-card ABS, CLO, CBO, leases, account receivables to ABCP.

(2) Real estate securitization

The Real Estate Securitization Act provides a legal basis for real estate securitization and serves as a cornerstone to the development of local real estate market. The act offers investment trust and asset trust frameworks for real estate securitization. As of September 2009, 17 cases (NT\$77.85 billion) have obtained approvals, and outstanding of real estate securitization cases amounted to 15.28 billion.. The real estate includes office building, department store, distribution center, hotel, and business rental apartment.

An amendment to the Real Estate Securitization Act was promulgated on 21 January 2009 in order to provide for a more diverse range of real estate securitization products, boost the real estate securitization market, improve returns on capital, ensure sound regulation of the real estate securitization market, and better safeguard investor interests. Key points of the amendments include the following: (1) the types of securitized assets have been further broadened to real estates under development and the related rights of such real estates, and related measures have been adopted to provide for a more diverse range of real estate securitization products; (2) new provisions have been added to strengthen safeguards for investor interests; and (3) the terms "closed-end fund" and "open-end fund" are redefined, and new provisions have been added to govern follow-on offerings and private placements involving REIT funds.