

7.4 Combating Crime

7.4.1 Management Mechanism for Combating Crime

Mega Securities complies with the regulations of the competent authorities and the requirements of the Mega Group to implement the “Money Laundering Control Act”, the “Counter-Terrorism Financing Act”, and the “Regulations Governing Anti-Money Laundering of Financial Institutions”, and supervises all departments to implement prevention and control measures. Mega Securities supervises all departments to implement prevention and control measures. Operations related to AML/CFT include customer due diligence, transaction monitoring, and education and training. At Mega Securities, we have established a money laundering prevention monitoring and list screening system, and provide comprehensive training for money laundering prevention personnel.

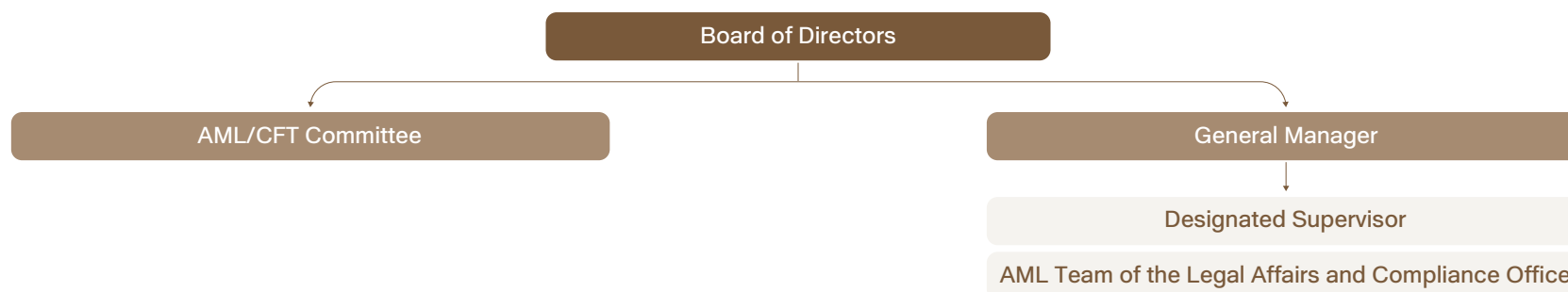
To supervise and manage the AML/CFT business of each department, Mega Securities has established the AML/CFT Committee, which is under the Board of Directors and chaired by the general manager. Regular committee meetings are held every quarter to review important regulations and AML/CFT-related matters that require review or approval by the Board of Directors. Regulations and AML/CFT-related matters that do not require approval of the Board of Directors are approved by the general manager according to the hierarchical responsibility chart. The scope of the Committee's supervision includes overseeing the implementation of various matters related to AML/CFT, reviewing the disciplinary actions taken by the competent authority against Mega Securities due to matters related to AML/CFT, and analysis of the causes of the disciplinary actions or fines imposed by the competent authority. The Committee is also responsible for reviewing the adequacy of Mega Securities' control measures and the implementation of various AML/CFT-related matters, such as penalties imposed by peers or other important AML/CFT-related matters. The relevant results are reported to the Board of Directors, and a total of 4 meetings were held in 2023.



According to the provisions of the hierarchical responsibility chart, the general manager of Mega Securities is responsible for supervising each department to carefully evaluate and review the implementation of the internal control system for AML/CFT, and approve important regulations and AML/CFT regulations that are not required to be submitted to the Board of Directors. In 2023, a total of 18 AML/CFT procedures were approved; adjustments made to various 2023 threshold parameters of AML/CFT transactions; 2023 annual AML/CFT legal compliance test report compiled; and counter-terrorist financing compliance testing for each business department and subsidiary for 2025 planned.

The Board of Directors has appointed the compliance officer to also serve as the dedicated head of AML/CFT. In addition to reporting to the Board of Directors and the supervisors on the implementation of AML/CFT every six months, the compliance officer is also responsible for coordinating and supervising the prevention and control of AML/CFT. The compliance officer reports suspected AML/CFT transactions to the Ministry of Justice Investigation Bureau. In order to effectively supervise and manage the implementation of Mega Securities' AML/CFT operations, the managers and department heads of each branch act as the supervisors. In addition, dedicated personnel have been designated in the headquarters, the Planning Office and the Legal Compliance Office for the implementation of AML/CFT-related operations of Mega Securities.

◆ Anti-crime management framework



Duties of the Committee are as follows:

- Supervise the execution of anti-money laundering (AML) and counter-terrorism financing (CTF) activities by relevant departments.
- Review and analyze the causes and improvement plans for any penalties imposed on the Company by regulatory authorities for AML and CTF violations.
- Evaluate the adequacy of the Company's control measures in light of industry penalty cases or other significant AML and CTF matters.
- Review reports on the execution of AML and CTF activities.
- Review and approve important AML and CTF regulations and methodologies that the Company is required to report to the board of directors.
- Review and approve any AML and CTF-related matters that need to be submitted to the Board of Directors for approval.

The duties of the AML Team of the Legal Affairs and Compliance Office are as follows:

- Handle administrative tasks related to the AML/CFT Committee.
- Conduct compliance testing activities.
- Conduct information sharing operations.
- Establish and maintain name databases.
- Implement national risk classification management.
- Manage risk appetite limits.
- Monitor and report suspected money laundering or terrorist financing transactions.
- Handle reporting related to counter-terrorism financing.
- Manage scenario rules for suspected money laundering or terrorist financing transaction patterns.
- Conduct comprehensive money laundering and terrorist financing risk assessment reports.
- Plan anti-money laundering and counter-terrorist financing education and training programs.
- Evaluate personnel involved in anti-money laundering and counter-terrorist financing activities.
- Address other regulatory compliance matters as required.

7.4.2 Anti-crime Measures

Mega Securities has formulated and announced 22 AML/CFT internal rules. In order to supervise each department's AML/CFT operations, Mega Securities regularly conducts compliance tests and legal compliance risk self-assessments, and has designated dedicated personnel in each department to assist in the department's AML/CFT operations.

In accordance with domestic laws and regulations, group consistency standards, and with reference to the Forty Recommendations of the Financial Action Task Force (FATF), each subsidiary has established a sound organizational structure and policies and procedures to effectively identify and assess various money laundering and terrorism financing risks, and to identify higher money laundering threats and vulnerabilities for control, in order to implement the requirements of international regulations. The implementation procedures include physical and non-physical customer due diligence (CDD), review of terrorism lists, review and monitoring of lists of politically exposed persons (PEPs), and participation of senior management in auditing clients with high money laundering and terrorism risks. The subsidiaries also communicate with each other through the AML/CFT Committee on the implementation of AML/CFT matters, and regularly share and collect the list of high-risk customer lists and suspected AML/CFT transaction reporting and de-identification cases through the information sharing area set up by the Group.

2023 implementation of anti-crime measures

Measures	Implementation status
Institutional Risk Assessment (IRA)	The Company performs a company-wide risk assessment for money laundering, terrorism financing, financing of militia, and sanctions at least once a year. As well as this, we conduct quantitative and qualitative analyses of the results of the risk assessment, and compile a risk assessment report, internal control assessment items, and improvement plan timelines, which are deliberated by the AML/CFT Committee prior to reporting to the Board of Directors.
Establishment of an AML system	To identify and control money laundering threats and vulnerabilities, Mega Securities has implemented various anti-money laundering systems, including transaction monitoring and list scanning, to prevent money laundering and terrorism financing.
Customer identity due diligence	<p>We have established the "Customer Due Diligence Procedures", "Procedures for Identification and Control of PEPs", and "Name and Title Verification Procedures" for the identification of customers, counterparties and related persons as well as comparison with the counter-terrorism list. Regular audits are conducted according to the risk level. In addition, Mega Securities performs centralized audits by the Compliance Office and reports to the Ministry of Justice Investigation Bureau if there are clients who meet the criteria of suspected money laundering and terrorism after approval by the dedicated supervisor.</p> <p>We have formulated the "Procedures for Identification and Control of PEPs" and "Procedures for Creation of Money Laundering and Terrorism Financing List Databases". After comparing with the purchased databases, those who do not fall under PEPs as defined by Mega Securities are included in the whitelist database. PEPs and their related parties that are known to have been shared by the Mega Group or discovered through customer due diligence conducted by our business units not included in the Mega Securities database should be included in the PEP database.</p>

2023 implementation of anti-crime measures

Measures	Implementation status
Identification, regular review, and monitoring of policies for high-risk customers such as PEPs	We have established the "Customer Due Diligence Procedures", "Procedures for Identification and Control of PEPs", and "Name and Title Verification Procedures" for the identification of customers, counterparties and related persons as well as comparison with the counter-terrorism list. If the client is identified as a PEP or has other high-risk factors, the PEP should be approved by a higher level supervisor according to the "Client Risk Rating and Classification Procedures", and his/her review frequency should be subject to once a year. In accordance with the "Procedures for Ongoing Monitoring of Accounts and Transactions and Reporting of Suspected Money Laundering or Terrorist Transactions", if the transaction monitoring of this account is an account type, it should be carried out once every business day.
Suspicious Transaction Report (STR) Centralized Project	Any obvious abnormality found in the client's business by the business departments should be reported to the supervisor and the head of the headquarters and then to the Legal Compliance Office, which will be reviewed and reported to the Ministry of Justice Investigation Bureau after approval by the dedicated supervisor. Mega Securities performs centralized audits by the Compliance Office and reports to the Ministry of Justice Investigation Bureau if there are clients who meet the criteria of suspected money laundering and terrorism after approval by the dedicated supervisor.
Application of Regtech	Transaction monitoring system (including RPA application and tableau), AML self-assessment system, list database establishment system (including whitelist database, PEP database, material and negative news database, country risk rating database, and customer database under investigation by external authorities).

Mega Securities is committed to AML/CFT. Every year, we invite internal and external experts to provide education and training and related lectures on money laundering prevention. This includes physical lectures, digital learning, video training, etc., further enhancing the professional knowledge and skills of AML/CFT personnel. In 2023, the completion rate of the personnel who should have completed the statutory hours of the training rate reached 100%.

2023 Anti-crime-related education and training

Training type	Total training hours	Total No. of people trained (person-time)
Provision of online courses and self-evaluation	3,567	2,989
Face-to-face training provided by compliance/legal affairs personnel	493	493
Face-to-face training provided by an external professional company	2,442	369
Mandatory participation in the annual refresher training program	3,960	1,320

Status of anti-crime licenses obtained or relevant tests passed at the end of 2023

Title of test or license	Number of people passing
Certified Anti-Money Laundering Specialist (CAMS)	10
Test for Money Laundering Prevention and Counter-Terrorist Financing Professionals	247

