

Content

Title :	Regulations Governing Investment in Securities by Overseas Compatriots and Foreign Nationals Ch
Date :	2014.02.11
Legislative :	<p>1. Promulgated on 26 May 1983 per Order No. (72)-Taiwan-Finance-9652 of the Executive Yuan</p> <p>2. Article 5 was amended and promulgated on 6 December 1984 per Order No. (73)-Taiwan-Finance-20251 of the Executive Yuan</p> <p>3. Articles 4 and 7 were amended and promulgated on 30 May 1988 per Order No. (77)-Taiwan-Finance-14002 of the Executive Yuan</p> <p>4. Article 2 was amended and promulgated on 6 March 1989 per Order No. (78)-Taiwan-Finance-5802 of the Executive Yuan</p> <p>5. Amended and promulgated on 28 December 1990 per Order No. (79)-Taiwan-Finance-39491 of the Executive Yuan</p> <p>6. Article 12 was amended and promulgated on 8 November 1993 per Order No. (82)-Taiwan-Finance-39203 of the Executive Yuan</p> <p>7. A full amendment comprising 32 articles was promulgated on 5 July 1995 per Order No. (84)-Taiwan-Finance-24351 of the Executive Yuan</p> <p>8. Article 7 was deleted and Articles 5, 8, 13, 14, and 17 were amended and promulgated on 3 January 1996 per Order No. (85)-Taiwan-Finance-00001 of the Executive Yuan</p> <p>9. A full amendment comprising 35 articles was promulgated on 1 March 1996 per Order No. (85)-Taiwan-Finance-05889 of the Executive Yuan</p> <p>10. A full amendment comprising 47 articles was promulgated on 25 June 1997 per Order No. (86)-Taiwan-Finance-26011 of the Executive Yuan</p> <p>11. The name of the regulations and Articles 1, 4, and 21 were amended and promulgated on 17 March 1999 per Order No. (88) Taiwan-Finance-09983 of the Executive Yuan (Original name: Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals and Procedures for Remittance)</p> <p>12. Article 5, paragraph 2, subparagraphs 1, and Article 2 were amended and promulgated on 30 March 1999 per Announcement No. (88) Taiwan-Finance-Securities-(VIII)-29364 of the Ministry of Finance</p> <p>13. "Documents to Be Annexed by Overseas Chinese and Foreign Nationals Applying to Invest in Domestic Securities and Forms to Be Annexed by QFIIs Filing Investment Applications" in Article 10 were amended and promulgated on 3 September 1999 per Announcement No. (88) Taiwan-Finance-Securities-(VIII)-69926 of the Securities & Futures Commission, Ministry of Finance</p> <p>14. Articles 4, 5, and 15 were amended and promulgated on 8 March 2000 per Order No. (89) Taiwan-Finance-06637 of the Executive Yuan</p> <p>15. Articles 2-1, 10, 14, 21, 23, and 26 were amended and promulgated on 29 November 2000 per Order No. (89) Taiwan-Finance-33665 of the Executive Yuan</p> <p>16. A full amendment comprising 43 articles was promulgated on 27 June 2003 per Order No. (92)-Taiwan-Finance-0920033737 of the Executive Yuan; for implementation from the date of issuance</p> <p>17. A full amendment comprising 39 articles was promulgated on 30 September 2003 per Order No. (92)-Taiwan-Finance-0920052677 of the Executive Yuan; for implementation from the date of issuance</p> <p>18. Amendments to Articles 4, 10, and 14 were promulgated on 15 June 2004 per Order No. Yuan-Taiwan-Finance-0930027322 of the Executive Yuan</p> <p>19. Articles 4, 5, 7, 10, 11, 12, 17, 21, 23, 24, 29, and 32 amended and issued 23 March 2006 per Order No. Yuan-Taiwan-Finance-0950005256 of the Executive Yuan</p> <p>20. Articles 2 to 4, 5 to 8, 15 to 19, 24, 25, 27, 29, 32, and 34 amended and issued and Article 4-1 added per 11 February 2014 Order No. Yuan-Taiwan-FSC-1030003384 of the Executive Yuan</p>

Chapter 1 General Principles

Article 1

These Regulations are adopted pursuant to Article 8, paragraph 4 of the Act Governing Investment in Taiwan by Overseas Compatriots and Article 8, paragraph 4 of the Act Governing Investment by Foreign Nationals.

Article 2

Overseas compatriots and foreign nationals may invest in securities by any of the following methods:

1. Investment in securities investment trust fund beneficial certificates issued by a domestic securities investment trust enterprise (SITE) and sold overseas ("overseas beneficial certificates").
2. Investment in domestic securities.
3. Investment in corporate bonds issued or privately placed overseas by an issuing company ("overseas corporate bonds").
4. Investment in depositary receipts, sponsored by an issuing company, that are issued or privately placed overseas ("overseas depositary receipts").
5. Investment in stocks issued, privately placed, or traded overseas by an issuing company ("overseas stocks").

Article 3

The term "onshore overseas compatriots and foreign nationals" as used in these Regulations means natural persons residing in the territory of the Republic of China (ROC) with an Overseas Compatriot Identity Certificate, or holding an ROC passport with an Overseas Compatriot Identity Endorsement, or holding an Alien Resident Certificate, and foreign institutional investors.

The term "offshore overseas compatriots and foreign nationals" as used in these Regulations means overseas compatriots and foreign nationals, including natural persons and foreign institutional investors, outside the territory of the ROC.

The term "foreign institutional investor" as used in these Regulations means either an institutional investor established outside the ROC in accordance with local law, or a branch company established in the ROC by an overseas juristic person.

Article 4

The domestic securities in which offshore overseas compatriots and foreign nationals may invest shall be limited to the following:

1. Stocks, bond conversion entitlement certificates, and Taiwan depositary receipts issued or privately placed by an exchange-listed, over-the-counter ("OTC"), or emerging-stock company.
2. Securities investment trust fund beneficial certificates.
3. Government bonds, financial bonds, straight corporate bonds, convertible corporate bonds, and corporate bonds with warrants.
4. Beneficial securities placed publicly or privately by trustee institutions, or asset-backed securities placed publicly or privately by special-purpose companies.
5. Call warrants and put warrants.
6. Other securities as approved by the Financial Supervisory Commission (FSC).

Where funds have been transferred to Taiwan for the purchase of any of the securities listed in the preceding paragraph but the funds have not yet been invested, the FSC, depending on domestic economic and financial conditions and the state of the securities market, limit the use of such funds. The percentage of any investment cap shall be determined by the FSC after consultation with the competent authority for foreign exchange business.

Where a securities investment trust fund offered and issued overseas by a SITE invests in domestic securities, the scope of the securities in which it is allowed to invest shall be subject to the provisions of the Regulations Governing Securities Investment Trust Funds.

Except as otherwise provided in another law or regulation, the scope of the domestic securities in which onshore overseas compatriots and foreign

nationals may invest is unrestricted.

Article 4-1

When offshore overseas compatriots and foreign nationals invest in foreign currency denominated straight corporate bonds or non-equity-type financial bonds issued in the ROC by a foreign issuer, these Regulations shall not apply if their inwardly remitted funds do not involve foreign exchange settlements against the New Taiwan dollar.

When offshore overseas compatriots and foreign nationals invest in foreign currency denominated straight corporate bonds or non-equity-type financial bonds issued in the ROC by a domestic issuer, Articles 10 to 22 shall not apply if their inwardly remitted funds do not involve foreign exchange settlements against the New Taiwan dollar. Additionally, Article 6 shall not apply if any of the following circumstances applies to the investment:

1. After purchase the bonds are continuously held to the coupon date.
2. The bonds are sold to a domestic bond dealer, and the bond dealer will serve as agent for the declaration and payment of interest income tax.
3. The bonds are traded outside the ROC with other offshore overseas compatriots and foreign nationals.

When offshore overseas compatriots and foreign nationals invest in foreign currency denominated securities investment trust fund beneficial certificates offered and issued in the ROC by a domestic SITE, Articles 10 to 22 shall not apply if their inwardly remitted funds do not involve foreign exchange settlements against the New Taiwan dollar.

The foreign currency denominated securities investment trust fund referred to in the preceding paragraph shall be limited to the following:

1. Foreign currency denominated funds provided for in Article 21 of the Regulations Governing Securities Investment Trust Funds.
2. The foreign currency classes of multi-currency funds other than money market funds.

Article 5

The domestic issuing companies whose securities may be invested in by overseas compatriots and foreign nationals may be exempted from the prohibitions and restrictions on investment by overseas compatriots and foreign nationals in specific industries as set forth in the Executive Yuan's negative list, except where a law prohibits investment by foreign nationals or other laws or regulations impose a ceiling on the percentage of investment by overseas compatriots or foreign nationals.

Where other laws or regulations impose a ceiling on the percentage of investment by overseas compatriots or foreign nationals in a domestic issuing company, if the total amount of investments by overseas compatriots and foreign nationals in any of the following instruments issued by the issuing company does not reach the maximum amount required by law, the issuing company may, with respect to the difference between the total amount and the maximum amount above, privately place or register to offer and issue overseas convertible corporate bonds and overseas corporate bonds with warrants, issue overseas stocks, or sponsor issuance of overseas depositary receipts:

1. Domestic stocks.
2. Convertible, exchangeable, or subscribable shares and bond conversion entitlement certificates of domestic corporate bonds whose underlying instruments for conversion, exchange, or subscription are company stocks.
3. Convertible, exchangeable, or subscribable shares of overseas corporate bonds whose underlying instruments for conversion, exchange, or subscription are company stocks.
4. Shares represented by overseas depositary receipts.
5. Overseas stocks.

Article 6

An overseas compatriots or foreign national investing in securities shall file and pay taxes under the provisions of the Income Tax Act and other applicable laws. With the exception of a foreign institutional investor with a fixed place of business or business agent within the territory of the ROC, the overseas compatriots or foreign national investing in securities shall appoint an agent within the territory of the ROC to file

and pay taxes on the investor's behalf. Documents evidencing such appointment shall be completed and submitted to the competent tax authority for approval. In case of a change of agent, the successor agent shall prepare another set of such documents evidencing its appointment to file and pay taxes on behalf of the client, and shall submit such documents to the competent tax authority for approval.

When an overseas compatriots or foreign national applies for exchange settlement of earnings from securities investments, the investor's agent or representative appointed pursuant to Article 16 shall carry out exchange settlement in accordance with the provisions of the applicable foreign exchange-related laws and regulations, by submitting either the documents set forth under the preceding paragraph evidencing the filing of a tax return and payment of taxes by an agent/representative approved by the tax authorities, or a tax payment certificate issued by the competent tax authority; provided, however, that an overseas compatriots or foreign national that satisfies the following provisions and for whom an agent or representative appointed pursuant to Article 16 has submitted evidentiary documents, may proceed forthwith to carry out exchange settlement in accordance with the provisions of the applicable foreign exchange-related laws and regulations:

1. Has not acquired income from transfer of registered shares as set forth in Article 16 or 17 of the Act for Upgrading Industries prior to the 31 December 1999 amendment and promulgation, Article 13 of the former Statute for Encouragement of Investment, or Article 7 of the Biopharmaceutical Industry Development Act.
2. Has no income from securities transactions that is subject to taxation under the Income Tax Act and the Income Basic Tax Act.
3. Has duly paid the taxes on income from any other transactions.

The format of the documents evidencing the appointment of the agent or representative for tax return filing and tax payment under paragraph 1 shall be prescribed by the Ministry of Finance.

Where the evidentiary documents submitted by an agent or representative appointed in accordance with the provisions of paragraph 2 contain false information, the matter shall be handled in accordance with the applicable provisions of the Income Tax Act and the Tax Collection Act.

The fixed place of business or business agent referred to in paragraph 1 shall be determined under the provisions of the Income Tax Act.

Chapter 2 Investing in Overseas Beneficial Certificates

Article 7

A SITE that issues overseas beneficial certificates for subscription by overseas compatriots and foreign nationals for the purpose of offering a securities investment trust fund shall apply to the FSC for approval within 1 month after obtaining an approval letter from the competent authority for foreign exchange business.

Inward remittance of the funds raised through the offering of the fund shall be handled in accordance with the applicable provisions of foreign exchange acts and regulations.

Article 8

Earnings derived from securities investment trust funds issued by SITEs may be distributed to the beneficiaries of overseas beneficial certificates, provided that capital gains and stock dividends are distributed from realized gains only.

Article 9

The beneficiary of overseas beneficial certificates may, in accordance with the provisions of the applicable foreign exchange acts and regulations, carry out exchange settlement or reinvest in domestic securities using the proceeds from any of the following sources: proceeds from a buyback [of overseas beneficial certificates]; proceeds from the distribution of trust fund assets by a SITE; or earnings distributed pursuant to the preceding article.

Offshore overseas compatriots and foreign nationals reinvesting in domestic securities in accordance with the preceding paragraph shall enter their

investments in the accounts set forth under Article 22, submit a report within 5 days to the competent authority for foreign exchange business, and submit [the relevant] materials to the Taiwan Stock Exchange Corporation (TWSE) for registration. Where the total resulting investments exceed the originally approved investment cap or the limit as provided in Article 12, such excess amount shall be exempt from the approval requirement set forth under Article 10.

Articles 16, 17, 20, 21, 23, and Article 27, paragraph 2 shall apply mutatis mutandis to reinvestment in domestic securities by offshore overseas compatriots and foreign nationals pursuant to paragraph 1. Article 10 shall apply mutatis mutandis to reinvestment in domestic securities by overseas compatriots and foreign nationals in accordance with paragraph 1.

Chapter 3 Investing in Domestic Securities

Article 10

Offshore overseas compatriots and foreign nationals wishing to invest in domestic securities shall apply to the TWSE for registration in accordance with the TWSE operating rules and bylaws by submitting the relevant documents; provided, however, that this requirement shall not apply to onshore overseas compatriots and foreign nationals investing in government bonds, financial bonds that do not confer equity rights, straight corporate bonds, or open-ended beneficial certificates.

Offshore overseas compatriots and foreign nationals applying to complete the registration set forth under the preceding paragraph shall submit an application form together with the following documents:

1. The power of attorney for agent or letter of appointment for representative.
2. Identification documents conforming to Article 3, paragraph 2.
3. Other documents as required by the FSC.

Overseas compatriots and foreign nationals that have already completed registration with the Taiwan Futures Exchange Corporation (TAIFEX) and obtained qualification to engage in domestic futures trading are exempted from carrying out the registration procedures referred to in paragraph 1.

Article 11

When an overseas compatriots or foreign national carries out the registration referred to in paragraph 1 of the preceding article, the TWSE may reject the application if any of the following situations exists:

1. The registered documents or particulars thereof are found to be fraudulent or untrue.
2. The registered documents are incomplete or have not been fully filled out, and the applicant has failed, upon notification, to provide the missing information within the specified time period.
3. The registrant has committed a major violation of these Regulations or of securities or futures trading laws or regulations.
4. Its registration has been cancelled by the TAIFEX pursuant to futures trading laws or regulations.

After an overseas compatriots or foreign national has registered, the TWSE may cancel the registration if any one of the circumstances set forth under the preceding paragraph is discovered.

Article 12

The limits on investment in domestic securities by offshore overseas compatriots and foreign natural persons shall be set by the FSC following consultation with the competent authority for foreign exchange business.

Article 13

An offshore overseas compatriots or foreign national applying for exchange settlement of funds in connection with an investment in domestic securities shall act in accordance with the applicable foreign exchange acts and regulations, annexing the approval letter of the TWSE.

Article 14

An offshore overseas compatriots or foreign national investing in domestic

securities may apply for exchange settlement of investment capital, earnings on investments, and proceeds from the sale of borrowed securities; provided, however, that exchange settlement is only permitted for those capital gains and stock dividends that constitute realized gains. Applications for foreign exchange settlement pursuant to the preceding paragraph shall be handled in accordance with the applicable foreign exchange acts and regulations.

Article 15

Under any of the circumstances listed below, an offshore overseas compatriots or foreign national that has received approval for investment in domestic securities shall be deemed to be making an outward remittance of investment capital; all remittances shall be recorded in the accounts set forth under Article 22, reported within 5 days to the competent authority for foreign exchange business, and at the same time shall be provided to the TWSE for registration:

1. The investor invests in depositary receipts issued by a foreign issuer in the ROC, and subsequently asks the depository institution to redeem such receipts for the underlying securities evidenced thereby.
2. The investor invests in stocks issued by a foreign issuer in the ROC and denominated and settled in New Taiwan Dollars, and subsequently resells those stocks in an offshore securities market.
3. The investor invests in New Taiwan Dollar-denominated straight corporate bonds, convertible corporate bonds, or corporate bonds with warrants issued by a foreign issuer in the ROC, and subsequently makes a request overseas to redeem such instruments or convert them into stock.
4. The investor uses its securities holdings as [the underlying securities for] depositary receipts, sponsored by an issuing company, that that are issued or privately placed overseas, or the investor re-issues overseas depositary receipts in accordance with Article 31, paragraph 1.

Article 16

An offshore overseas compatriots or foreign national investing in domestic securities shall appoint a local agent or representative to undertake matters such as opening accounts for trading in domestic securities; applying to exchange, convert into, or subscribe to domestic corporate bonds; exercising rights in purchased securities; applying for exchange settlement; and paying taxes.

The required qualifications for the agent or representative in the preceding paragraph are as follows:

1. Requirements for an agent:
 - A. If a natural person: Must have legal capacity. In the case of an overseas compatriots or a foreign natural person, he or she must be residing in the territory of the ROC with an Overseas Compatriot Identity Certificate, or holding an ROC passport with an Overseas Compatriot Identity Endorsement, or holding an Alien Resident Certificate.
 - B. If a juristic person: Must be established in accordance with ROC laws and qualified to act as an agent.
 - C. If a foreign juristic person: Must have established a branch company within ROC territory and be qualified to act as an agent.
2. Requirement for a representative: Must be the representative at a representative office established in the ROC, or be the responsible person at a branch office.

Where an agent is either a juristic person or a foreign juristic person as set forth under subparagraph 1, items 2 and 3 of the preceding paragraph, one natural person must be designated to carry out the services of agent. An offshore foreign institutional investor holding shares in a public company shall appoint a domestic agent or representative to exercise the voting rights attaching thereto unless otherwise provided by law.

Article 17

An offshore overseas compatriots or foreign national that invests in domestic securities shall designate a bank or securities firm approved by the FSC to act as its custodian institution and to handle related matters, such as custodianship of funds and certificates related to securities investments, confirmation of trades, transaction settlement, and reporting

of relevant information. When a securities firm acts as the custodian institution, the funds of its customers shall be deposited in a segregated account opened at a bank approved by the FSC.

Article 18

An offshore overseas compatriots or foreign national investing in domestic securities shall designate a domestic agent or representative to apply for the opening of a New Taiwan Dollar account. The agent designated to open such account must be a domestic securities firm or financial institution. An offshore overseas compatriots or foreign national investing in domestic securities or otherwise utilizing funds [in the ROC] must open a current account or a current savings account denominated in New Taiwan Dollars at a domestic financial institution. Such account must be opened specifically as a custodial account to be used by a custodian institution for the provision of custodial services at the investor's request. Such account shall only be for the purpose of settling transactions.

Article 19

An overseas compatriots or foreign national applying to a securities firm to open an account for securities trading shall submit the registration documents from the TWSE or the TAIEX.

Article 20

An offshore overseas compatriots or foreign national consigning trading of domestic securities to a domestic securities firm shall provide a record of the consignment. The appointed custodian institution shall confirm the trade and handle settlement procedures.

Article 21

An offshore overseas compatriots or foreign national shall use inwardly remitted investment capital for the purpose of investment in domestic securities in accordance with these Regulations and the provisions of other applicable acts and regulations, and shall, except as otherwise provided by the FSC, abide by the following provisions:

1. It shall not engage in securities margin trading.
2. It shall not sell securities it does not hold.
3. It shall not extend loans or provide security.
4. It shall not entrust custody of securities to any juristic person or individual other than a custodian institution or centralized securities depository.

Article 22

A custodian institution shall establish accounts in which information on the utilization of the funds and securities inventories of each offshore overseas compatriots or foreign national shall be recorded on a daily basis, and the previous day's inward and outward remittances shall be reported to the competent authority for foreign exchange business. Within 10 days of the end of each month, such party shall produce a statement of trades, inward and outward remittances of funds, and securities inventories for the previous month; this information shall be reported to the competent authority for foreign exchange business, and shall at the same time be provided to the TWSE for registration.

Article 23

The FSC may, when necessary, require an offshore overseas compatriots or foreign national to submit the following information:

1. A list of beneficial owners of the investment capital, the amount of the capital, its source, and related information.
2. Information on utilization of inward-remitted investment funds, securities trading details, and inventory information (the FSC may examine the securities inventories and accounts).
3. Detailed information on derivative products issued or traded offshore for which the stock of domestic public companies serves as the underlying securities; or detailed information on domestic public company stock held on behalf of a principal engaging in derivatives trading.
4. Information on persons giving trading orders for investment in domestic

securities, including their name, nationality, contact information, and other related information.

5. Other information as specified by the FSC.

Chapter 4 Investing in Overseas Corporate Bonds

Article 24

With respect to their holdings of overseas corporate bonds (issued or privately placed by an issuer) to which conditions attach that allow for conversion or subscription to stock, overseas compatriots and foreign nationals may, in accordance with the terms of issuance and conversion or subscription, request to receive securities issued by an issuer (either through bond conversion or the exercise of subscription rights).

An overseas compatriot or foreign national holding overseas corporate bonds privately placed by an issuer shall not request to exchange the bonds or subscribe to the stock of another listed or OTC company in accordance with the terms of issuance and conversion or subscription until at least 3 years from the date of delivery of such privately placed overseas corporate bonds.

Where an overseas compatriot or foreign national holding privately placed overseas corporate bonds converts the bonds (or exercises subscription rights attached thereto) to acquire securities issued by an issuer, and stock dividends or new shares are subsequently distributed out of earnings or capital reserves, the shares thus received by such person shall not be sold on the domestic market until at least 3 years after the privately placed overseas corporate bonds have been delivered and the issuer has filed a supplemental public issuance with the FSC.

Article 25

Articles 16 to 18 and Articles 21 to 23 shall apply mutatis mutandis where an offshore overseas compatriot or foreign national exchanges, converts into, or subscribes to the securities of an issuing company pursuant to the preceding article.

Articles 10 and 19 shall apply mutatis mutandis where an overseas compatriot or foreign national exchanges, converts into, or subscribes to the securities of an issuing company pursuant to the preceding article; provided, however, that the provisions of said articles shall not apply to overseas compatriots or foreign nationals that have received approval or registration to invest in domestic securities.

Where overseas compatriots or foreign nationals act before the 27 June 2003 amendments to these Regulations enter into force to open a dedicated account for the conversion of overseas convertible corporate bonds in accordance with regulations, after submitting the necessary documentation they shall apply to the TWSE, to process a transfer of assets.

Article 26

Overseas compatriots and foreign nationals may apply for exchange settlement of distributions received for securities obtained under Article 24, and of proceeds obtained from the sale of such securities.

Overseas compatriots and foreign nationals may apply for exchange settlement, in one lump sum, of proceeds obtained from any allocation of residual assets of the company issuing the corporate bonds.

Overseas compatriots and foreign nationals applying for exchange settlement pursuant to the preceding two paragraphs shall comply with the applicable foreign exchange acts and regulations.

Article 27

Where an overseas compatriot or foreign national exchanges, converts into, or subscribes to the securities issued in the ROC by an issuing company under Article 24, the inward remittance of funds deemed to be investment capital shall be entered into the accounts set forth under Article 22; within 5 days this information shall be reported to the competent authority for foreign exchange business, and shall at the same time be provided to the TWSE for registration.

Where an inward remittance contemplated under the preceding paragraph is made, the amount thereof shall be added to the total figure for investments

already made in domestic securities by the investor.

Article 28

Overseas compatriots and foreign nationals that have obtained stock shares pursuant to Article 24 may subscribe to new shares in accordance with the applicable provisions of the Company Act when the issuing company in which they have invested carries out a cash capital increase, and may apply for inward remittance of the funds necessary for such subscription.

Overseas compatriots and foreign nationals making inward remittances of funds for share subscriptions pursuant to the preceding paragraph shall do so in compliance with the applicable foreign exchange acts and regulations.

Chapter 5 Investing in Overseas Depositary Receipts

Article 29

Overseas compatriots and foreign nationals may request redemption of overseas depositary receipts in which they have invested. When applying for redemption, they may request that the securities evidenced by the overseas depositary receipts be transferred to them by the depository institution, or may request the depository institution sell the securities evidenced by the overseas depositary receipts and forward payment to them of the proceeds therefrom after deduction of taxes and relevant fees.

With respect to their holdings of privately placed overseas depositary receipts and any depository receipts subsequently distributed in connection with an issue of stock dividends or new shares out of earnings or capital reserves, overseas compatriots and foreign nationals shall not, after redemption for shares issued by the issuer, sell such shares on the domestic market until at least 3 years after the overseas depositary receipts have been delivered and the issuer has filed a supplemental public issuance with the FSC.

Article 30

When an offshore overseas compatriot or foreign national that has invested in overseas depositary receipts requests to redeem such receipts for the securities evidenced thereby, Articles 16, 17, 20, 21, and 23 shall apply *mutatis mutandis*.

Articles 10 and 19 apply *mutatis mutandis* to the handling of matters related to investments by overseas compatriots and foreign nationals in overseas depositary receipts; provided, however, that this provision shall not apply to overseas compatriots or foreign nationals that have received approval or registration to invest in domestic securities.

Articles 26 to 28 apply *mutatis mutandis* to the handling of matters related to investments by overseas Compatriots and foreign nationals in overseas depositary receipts.

Where overseas compatriots or foreign nationals act before the 27 June 2003 amendments to these Regulations enter into force to open a dedicated account for the redemption of overseas depositary receipts in accordance with applicable regulations, after submitting the necessary documentation they shall apply to the TWSE to process a transfer of assets.

Article 31

Overseas depositary receipts must be redeemed before investors can buy (either directly or via a depository institution) the original securities on the domestic market, and the original securities thus purchased shall not exceed the quantity of shares for which the receipts were redeemed. [Once investors have purchased overseas depositary receipts thus redeemed,] they must place the original securities in the care of a custodian institution before a depository institution can reissue overseas depositary receipts evidencing the same securities.

The reissuance of overseas depositary receipts contemplated under the preceding paragraph may only take place where it is expressly provided in both the deposit contract and the custody contract that overseas depositary receipts may be reissued following their redemption.

Exchange settlement matters arising in connection with the funds required for the transactions contemplated under paragraph 1 shall be handled in accordance with the applicable foreign exchange acts and regulations.

Chapter 6 Investing in Overseas Stocks

Article 32

Overseas compatriots and foreign nationals may sell on domestic markets the overseas stocks in which they have invested.

Where an overseas compatriot or foreign national holds privately placed overseas shares, or shares received through subsequent distributions out of earnings or capital reserves, such shares shall not be sold on the domestic market until at least 3 years after the privately placed overseas shares have been delivered and the issuer has filed a supplemental public issuance with the FSC.

Article 33

Articles 16, 17, 20, 21, and 23 shall apply mutatis mutandis where offshore overseas compatriots or foreign nationals apply to sell, on the domestic market, overseas stocks in which they have invested.

Articles 10 and 19 shall apply mutatis mutandis where overseas compatriots or foreign nationals apply to sell, on the domestic market, overseas stocks in which they have invested; provided, however, that this provision shall not apply to overseas compatriots or foreign nationals that have received approval or registration to invest in domestic securities.

Article 34

When cash dividends or residual assets are distributed by an issuing company with respect to an overseas stock, overseas compatriots or foreign nationals may apply for a lump-sum exchange settlement of funds in the amount of the distribution to which they are entitled.

Overseas compatriots or foreign nationals that sell overseas stocks pursuant to Article 32 may apply for a lump-sum exchange settlement of the proceeds.

Overseas compatriots or foreign nationals applying for exchange settlement under the preceding two paragraphs shall do so in accordance with the applicable foreign exchange acts and regulations.

Article 35

After overseas stocks have been sold on the domestic market, overseas compatriots and foreign nationals may purchase shares in such stocks in a quantity not exceeding the quantity originally sold and then trade such shares on an offshore market. Exchange settlement of the necessary funds shall be handled through the custodian institution in accordance with the applicable foreign exchange acts and regulations.

Article 36

Where an issuing company in which overseas compatriots or foreign nationals have invested carries out a cash capital increase through a new share issue, Article 28 shall apply mutatis mutandis.

Article 37

Where an overseas compatriot or foreign national sells overseas stocks in accordance with Article 32, the inward remittance of funds deemed to be investment capital shall be entered into the accounts set forth under Article 22; within 5 days this information shall be reported to the competent authority for foreign exchange business, and shall at the same time be provided to the TWSE for registration.

Where an inward remittance contemplated under the preceding paragraph is made, the amount thereof shall be added to the total figure for investments already made in domestic securities [by the investor in question].

Chapter 7 Supplementary Provisions

Article 38

Overseas compatriots and foreign nationals found in violation of these Regulations or other relevant acts and regulations shall be punished in accordance with applicable acts and regulations.

Article 39

These Regulations shall enter into force from the date of issuance.

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