

Content

Title :	Regulations Governing Securities Dealers Associations <b>Ch</b>
Date :	2010.01.06
Legislative :	<ol style="list-style-type: none"><li>1. Full 26 articles adopted and issued by the Securities and Exchange Commission, Ministry of Finance on 11 August 1992 per Order No. (81)-Taiwan-Finance-Securities-(II)-02016</li><li>2. Full 21 articles amended and issued by the Securities and Exchange Commission, Ministry of Finance on 29 October 1994 per Order No. (83)-Taiwan-Finance-Securities-(II)-02127</li><li>3. Full 23 articles amended and issued by the Financial Supervisory Commission, Executive Yuan on 6 January 2010 per Order No. Financial-Supervisory-Securities- 0980070668, for enforcement from the date of issuance</li></ol>
Content :	<p>Article 1 These Regulations are adopted pursuant to Article 90 of the Securities and Exchange Act (hereinafter "the Act")</p> <p>Article 2 The term "associated person" means any employee hired by a securities dealers association to handle any of the following matters:</p> <ol style="list-style-type: none"><li>1. The adoption, amendment, or implementation of operating rules and bylaws governing operational matters related to the securities market.</li><li>2. The inspection and management of the finances or business operations of the members.</li><li>3. Securities market research, analysis, promotion, mediation, education, and public awareness activities.</li><li>4. Matters related to the membership of the members, and the registration and administration of responsible persons and associated persons of the members.</li><li>5. Matters related to the testing, training, and administration of the associated persons of securities firms.</li><li>6. Other matters related to the promotion of Association affairs and business.</li></ol> <p>An associated person as described in the preceding paragraph may not fall into any category specified in any subparagraph of Article 53 of the Act, and in addition shall meet one of the following qualifications:</p> <ol style="list-style-type: none"><li>1. To have obtained qualification as a securities firm's agent or senior agent under the Regulations Governing Responsible Persons and Associated Persons of Securities Firms.</li><li>2. To have obtained qualification as a securities investment analyst under the Regulations Governing Responsible Persons and Associated Persons of Securities Investment Consulting Enterprises.</li></ol> <p>An associated person who has been engaging in duties listed in paragraph 1 before the enforcement of the amendments to these Regulations, and who has not yet obtained the qualification as required under the preceding paragraph, shall obtain such qualification within one year after the date of enforcement of the amendments.</p>

### Article 3

In addition to the items required under Article 11 of the Commercial Group Act, the items to be specified in a securities dealers association's articles of association shall include the following:

1. Matters regarding preservation of order and fairness in securities trading and protection of investors.
2. Matters regarding the prevention of fraud, market manipulation, collection of improper processing fees or expenses, and other matters regarding the acquisition of undue profits.
3. Matters regarding providing assistance in the implementation of, research in, and recommendation for the government's economic policies and the Securities and Exchange Act.
4. Matters regarding the testing, registration, training, and administration of the associated persons of a securities firm.
5. Matters regarding the promotion of self-regulation among members, for joint efforts to improve business operations, and for communication and coordination among members.
6. Matters regarding the mediation or arbitration of business disputes between members.
7. Matters regarding the imposition of sanctions on members that have violated the Act, other relevant laws or regulations, or the articles of incorporation, rules, or self-regulatory rules of the securities dealers associations, or related operational self-regulatory rules, or resolutions of the general meeting or the board of directors.
8. Other matters required by the Financial Supervisory Commission, Executive Yuan (FSC).

The adoption or amendment of the articles of incorporation under the preceding paragraph shall, after being passed by the general meeting of the securities dealers association, be promptly reported to the FSC for approval.

### Article 4

Prior to submitting the annual budget, the securities dealers association shall formulate an annual operational plan and budget and report it to the FSC for approval, and shall do the same for any amendments thereto. Within 15 days from the end of each quarter, the securities dealers association shall file a report for recordation with the FSC describing the implementation of the annual operational plan and budget as of the end of that quarter.

The securities dealers association shall implement the annual operational plan and budget approved by the FSC.

### Article 5

A securities dealers association shall adopt self-regulatory rules for the engagement by the members in the underwriting, proprietary trading, and brokerage trading of securities, and any other business approved for operation and report them to the FSC for recordation, and shall faithfully implement the rules.

### Article 6

A securities dealers association shall adopt rules regarding the form, content, production, and dissemination of the promotional materials and advertisements of the members and file them with the FSC for recordation,

and shall faithfully implement the rules.

#### Article 7

A securities dealers association shall be attentive to and inspect the financial conditions and operational situations of its members; and when violations of laws, regulations, or self-regulatory rules are discovered, it shall appropriately deal with such cases, and report to the FSC.

The rules for inspections under the preceding paragraph shall be drafted by the securities dealers association and reported to the FSC for recordation.

#### Article 8

When conducting inspections under the previous article, in cases where the securities dealers association discovers that a member is being badly run, has suffered losses to the extent that it becomes difficult to maintain its creditworthiness, or has experienced any serious incident, or has the likelihood that the trading order and investment security are severely affected, the securities dealers association shall promptly initiate a special examination and provide advice, such procedures shall be drafted by the securities dealers association and reported to the FSC for recordation.

#### Article 9

A securities dealers association shall prepare and keep in designated locations the information regarding the finances and business of its members and public companies for public access.

#### Article 10

Except as otherwise provided by these Regulations, if amendments or changes are made to the securities dealers association's articles of association or its other rules or activities, the securities dealers association shall promptly file these with the FSC for approval.

#### Article 11

A securities dealers association shall, within three months from the end of each fiscal year, file with the FSC an annual work report, as well as an income/disbursement statement, a cash disbursement statement, a balance sheet, a list of assets, and a fund receipt/disbursement statement; which latter five items shall have been audited and attested by a certified public accountant, approved by the board of directors, and recognized by the board of supervisors.

#### Article 12

In the event of any of the following circumstances, a securities dealers association shall, in addition to promptly taking action to handle the situation, file a report with the FSC for recordation:

1. Where the securities dealers association, or a responsible person or associated person of its member is involved in a lawsuit arising from securities business operations, or has been subject to a judgment rendered in litigation, or becomes bankrupt or is subject to compulsory execution as a debtor, or has had a check rejected or has been blacklisted by a financial institution, or has been discharged from his or her position under the Act.
2. Matters related to the handling of cases in which members or their representatives violate the Act or other relevant laws or regulations, the articles of association of the securities dealers association, self-regulatory agreements or relevant self-regulatory rules, or decisions of a general meeting of the Association or of the board of directors of the

Association.

3. Occurrence of a lawsuit as a result of the engagement by a member in business related to securities.
4. The entry or withdrawal of members.
5. The results of reviews of members' financial reports.
6. Decisions of the board of directors.
7. Any other matters that shall be reported under rules of the FSC.

With respect to subparagraphs 1 through 3 in the preceding paragraph, the securities dealers association shall report to the FSC within five days of becoming aware of the occurrence of the event, or of the completion of its taking of action to deal with the matter. With respect to subparagraphs 4 through 6, the securities dealers association shall report the results of implementation monthly to the FSC.

#### Article 13

With respect to disputes arising from business related to securities between members and investors, or between members, a securities dealers association shall draft rules for dispute mediation, report these rules to the FSC for recordation, and ensure their implementation.

#### Article 14

A securities dealers association shall set basic organizational rules regarding its internal units, prescribed number of personnel and titles thereof, and shall file them with the FSC for recordation; the same applies whenever the rules are amended.

#### Article 15

A securities dealers association shall set service rules for its personnel, and shall file them with the FSC for recordation; the same applies whenever the rules are amended.

#### Article 16

Directors or supervisors of a securities dealers association shall not only have the qualifications under Article 22 of the Commercial Group Act, they also shall be free of all the circumstances under Article 25 of that Act and under Article 92 of the Act.

#### Article 17

A securities dealers association shall file for recordation with the FSC any change in its directors, supervisors, or managerial officers within five days of the change.

#### Article 18

A securities dealers association shall report monthly to the FSC regarding any change in its non-managerial officers.

#### Article 19

Employees at a securities dealers association may not, in any form whatsoever, hold any concurrent or honorary posts in a securities firm.

#### Article 20

In cases where employees at a securities dealers association fail to or do not correctly execute duties, the securities dealers association shall terminate their contracts, discharge them from their positions, or otherwise take appropriate measurements.

#### Article 21

The directors, supervisors, or employees of a securities dealers association may not engage in any of the following conducts:

1. To directly or indirectly engage in securities transactions by using information learned as a result of his or her position.
2. To disclose any confidential information acquired as a result of his or her position which is not in response to an inquiry undertaken pursuant to laws and regulations.
3. To do any falsehood, fraud, or other action sufficient to mislead others while engaging in business matters related to securities transactions.
4. To otherwise violate securities laws and regulations or of any requirement or prohibition set out by the FSC.

Article 22

If a securities dealers association or any of its directors or supervisors violates these Regulations, it shall be subject to punishments as set out in the Act.

Article 23

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