

## Content

Title :	Regulations Governing Securities and Futures Holding Companies <b>Ch</b>
Date :	2006.06.27
Legislative :	1. Full text of 23 articles adopted and issued 27 June 2006 per Order No. Financial-Supervisory-Securities-III-0950002988 of the Financial Supervisory Commission, Executive Yuan, for enforcement from date of issuance
Content :	<p>Article 1</p> <p>These Regulations are specially adopted pursuant to Article 18, paragraph 2 of the Securities and Exchange Act and Article 82, paragraph 3 of the Futures Trading Act in order to establish securities and futures holding companies for the purpose of creating economic synergies in the securities and futures markets, reducing operating costs, raising market efficiency, and enhancing international competitiveness.</p> <p>Article 2</p> <p>For the purposes of these Regulations, "securities and futures holding company" means a holding company with 100 percent ownership of the shares of a stock exchange, a futures exchange, a central securities depository, an over-the-counter (OTC) trading enterprise, or any other enterprise or enterprises approved by the Competent Authority.</p> <p>Article 3</p> <p>A securities and futures holding company shall be managed with the approval of the Competent Authority.</p> <p>Article 4</p> <p>A securities and futures holding company shall ensure that its subsidiary companies are soundly managed and shall enhance the efficiency of the securities and futures markets. The scope of its operations are as follows:</p> <ol style="list-style-type: none"><li>1. Investment in the following enterprises:<ol style="list-style-type: none"><li>(1) A securities exchange.</li><li>(2) A futures exchange.</li><li>(3) An OTC trading enterprise.</li><li>(4) A central securities depository.</li><li>(5) A clearing enterprise.</li><li>(6) Any other enterprise approved by the Competent Authority.</li></ol></li><li>2. Management of invested enterprises named in the preceding paragraph.</li></ol> <p>Article 5</p> <p>A securities and futures holding company may only be organized as a company limited by shares. Its shares shall be publicly issued except in special cases approved by the Competent Authority.</p> <p>Article 6</p> <p>The paid-in capital of a securities and futures holding company may not be less than 100 million NT Dollars and shall be fully subscribed by the promoters at the time of its incorporation.</p> <p>Article 7</p> <p>The promoters of the securities and futures holding company shall</p>

collectively submit the following documents to the Competent Authority to apply for its incorporation and for public issuance of its shares, which, after the Competent Authority's approval, shall be issued from the date of incorporation:

1. The articles of incorporation.
2. Business, financial, and investment plans.
3. A register of promoters, including the promoters' names, addresses, and capital contributions.
4. Promoters meeting minutes.
5. A stock issue prospectus.
6. Any other documents required by the Competent Authority.

#### Article 8

The securities and futures holding company, after duly completing corporate registration, shall apply to the Competent Authority for issuance of a business license with the following documents:

1. Its corporate registration documents.
2. The articles of incorporation.
3. The register of shareholders and shareholders meeting minutes.
4. A register of directors, supervisors, and managerial officers, along with a written declaration that they are free of the conditions prohibited in Article 53 of the Securities and Exchange Act or Article 28 of the Futures Trading Act.
5. Directors meeting minutes.
6. A register of employees and documentary proof of their qualifications.
7. Any other documents required by the Competent Authority.

If the securities and futures holding company has not applied for a business license within six months after completing its corporate registration, the Competent Authority may revoke its approval, provided that with legitimate reason, the securities and futures holding company may apply to the Competent Authority prior to expiration of the six-month period for an extension. An extension may be granted one time only, for a period not to exceed six months.

#### Article 9

The powers of the shareholders meeting of a subsidiary of a securities and futures holding company shall be exercised by the board of directors, without regard to the provisions of the Company Act regarding shareholders meetings.

The directors and supervisors of a subsidiary as referred to in the preceding paragraph shall be appointed by the securities and futures holding company.

The securities and futures holding company shall adopt standards for and rules governing the appointment and compensation of its subsidiaries' directors and supervisors and shall apply to the Competent Authority for approval of those standards and rules and for any amendment thereto.

#### Article 10

A securities and futures holding company shall prepare and submit to the Competent Authority for approval an annual business plan and a budget, three months and two months before the beginning of the fiscal year respectively, and shall do the same for any amendments thereto. Within 15 days after the end of each quarter, it shall prepare a report on the

implementation status of the annual business plan for that quarter, and submit it to the Competent Authority for recordation.

A securities and futures holding company shall implement the annual business plan and budget approved by the Competent Authority, and draft performance evaluation and assessment rules for its departments and personnel, and submit them, and any amendments thereto, to the Competent Authority for approval.

#### Article 11

The proprietary funds of a securities and futures holding company may not be loaned to any other party or transferred for any other purpose. Aside from utilization for operational purposes, such funds shall be restricted to the following uses:

1. Bank deposits or postal savings.
2. Purchase of treasury bills and negotiable certificates of deposit.
3. Purchase of government bonds or financial bonds.
4. Other uses approved by the Competent Authority.

#### Article 12

A securities and futures holding company shall apply to the Competent Authority for approval before taking any of the following actions:

1. Amending its articles of incorporation.
2. Changing its company name.
3. Changing its capitalization.
4. Changing its place of business.
5. Undergoing dissolution.
6. Transferring all or the principal part of its assets to another or others or receiving transfer of all or the principal part of assets of another or others.
7. Any other matter that the Competent Authority requires to first be reported for its approval.

#### Article 13

Except where laws or regulations provide otherwise, a securities and futures holding company shall report to the Competent Authority within five days after the occurrence of any of the following events:

1. Adoption of a resolution at a shareholders or board of directors meeting.
2. A change in directors, supervisors, or managerial officers.
3. The signing of a cooperation agreement or memorandum of understanding with a foreign exchange, clearing house, self-regulatory organization, or other institution.
4. The responsible person or an employee of the securities and futures holding company becomes involved in litigation or is subject to a litigation judgment as a result of performance of their duties, or is the debtor in a bankruptcy or compulsory execution, or has a check dishonored or is refused service by a bank.
5. Preparation and submission of an audit report and notification of the supervisors pursuant to Article 15, paragraph 2 of the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets.
6. Any other matter that the Competent Authority requires to be reported.

#### Article 14

A securities and futures holding company may not do any of the following acts without the approval of the Competent Authority:

1. Participate in a merger.
2. Provide guarantees, endorse negotiable instruments, or provide assets for use as collateral by others.
3. Any other act specified by the Competent Authority.

#### Article 15

To protect the public interest, the Competent Authority may at any time order the securities and futures holding company to provide relevant financial statements or other information and may at any time dispatch personnel to examine the operations of the securities and futures holding company, its finances, and other related matters.

#### Article 16

A securities and futures holding company shall draft an organizational charter covering matters such as its internal organization, the makeup of its functional committees, staffing, and position titles, and submit it, and any amendments thereto, to the Competent Authority for approval.

#### Article 17

A securities and futures holding company shall draft human resource management rules regarding hiring, salary levels, compensation, attendance, incentives and penalties, training, advanced study, performance, retirement, severance, and disability and bereavement benefits, and submit them, and any amendments thereto, to the Competent Authority for approval.

#### Article 18

A securities and futures holding company shall prepare a monthly report on any changes in the personnel it employs and submit it to the Competent Authority for recordation.

#### Article 19

No director, supervisor, or managerial officer of a securities and futures holding company may fall into any category specified in a subparagraph of Article 53 of the Securities and Exchange Act or Article 28, paragraph 1 of the Futures Trading Act; no employee of the securities and futures holding company may fall into any category specified in a subparagraph of Article 54 of the Securities and Exchange Act or Article 28, paragraph 1 of the Futures Trading Act.

#### Article 20

No managerial officer or employee of a securities and futures holding company may in any fashion hold any concurrent position or honorary position at an exchange-listed company, OTC-listed company, emerging stock company, securities firm, bills finance company, or futures commission merchant.

#### Article 21

When a managerial officer or employee of a securities and futures holding company is remiss in or fails to faithfully carry out business matters entrusted to them, the securities and futures holding company shall dismiss such person from their position, terminate their employment, or make another appropriate disposition.

#### Article 22

No director, supervisor, member of any committee or person of commensurate rank, managerial officer, or employee of a securities and futures holding

company may do any of the following acts:

1. Directly or indirectly engage in trading of securities, futures, or financial products using knowledge gained in the performance of duties.
2. Divulge any secret learned in the performance of duties, other than in the course of an inquiry conducted pursuant to relevant laws or regulations.
3. Engage in borrowing or lending of funds or securities with anyone involved in the business of the securities and futures holding company.
4. Solicit, agree to accept, or accept any improper benefit for an action performed in the course of duties or in breach of duties.
5. Fail to recuse oneself when performance of duties involves any interest of one's own.
6. Violate any law or regulation or the Competent Authority's requirements by commission or omission.

The provisions of the preceding paragraph apply mutatis mutandis to the exercise of duties by the representative or designated representative of a director or supervisor that is a juristic person.

#### Article 23

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

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System