

## Content

Title : Regulations Governing Approval and Management of Securities and Futures Transactions and Investment Between the Taiwan Area and the Mainland Area  
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Date : 2010.03.16

Legislative : 2. Article 6 was amended by Ministry of Finance per its order September 25, 2000 Letter Ref. No. (89) Taiwan-Finance-Securities (Law)-80336  
3. Full text of nine articles amended and issued 21 January 2003 per Order No. Taiwan-Finance-Securities-Legal-0920102166 of the Ministry of Finance; for implementation from date of issuance  
4. Article 1 amended and issued 28 February 2004 per Order No. Taiwan-Finance-Securities-Legal-0930000729 of the Ministry of Finance  
5. Full text of 15 articles amended and issued 24 January 2005 per Order No. Financial-Supervisory-Securities-0940103536 of the Financial Supervisory Commission, Executive Yuan; for implementation from date of issuance  
6. Full text of 18 articles amended and issued 4 August 2008 per Order No. Financial-Supervisory-Securities-II-0970039639 of the Financial Supervisory Commission, Executive Yuan; for implementation from date of issuance  
7. Name and full text of 18 articles amended and issued 16 March 2010 per Order No. Financial-Supervisory-Securities-Firms-0990011992 of the Financial Supervisory Commission, Executive Yuan; for implementation from date of issuance (original name: Regulations Governing Approval of Securities and Futures Transactions Between the Taiwan Area and the Mainland China Area)

Content : Chapter I General Principles

### Article 1

These Regulations are prescribed in accordance with Article 35, paragraph 4, Article 36, paragraph 3, Article 72, paragraph 2, and Article 73, paragraph 3 of the Act Governing Relations Between The People On The Two Sides of The Taiwan Strait.

### Article 2

The competent authority referred to in these Regulations is the Financial Supervisory Commission, Executive Yuan.

### Article 3

Terms used in these Regulations are defined as follows:

1. Subsidiary: Refers to one of the following:

(1) A company in which more than 50 percent of the total issued voting shares or authorized capital is directly or indirectly held by another company.

(2) A company that is controlled by another company.

2. Equity investment: Refers to holdings of total issued voting shares or authorized capital in an investee company not in excess of 50 percent, where there is no ability to control the investee.

3. Mainland area securities or futures institution: A securities company, securities investment fund management company, or futures company established in accordance with the laws of the mainland area and subject to the supervision of the mainland area's competent authorities for futures and securities. It does not include what are referred to in the mainland

area as foreign-invested securities firms, securities investment fund management companies, or futures companies.

4. Mainland-invested securities or futures institution: Refers to a securities company, securities investment fund management company, or futures company established in accordance with the laws of a third region and subject to the supervision of the third region's competent authorities for futures and securities, under one of the following circumstances:

- (1) More than 30 percent of the total issued voting shares or authorized capital is directly or indirectly held by a natural person, juristic person, group, or other institution of the mainland area.
- (2) A natural person, juristic person, group, or other institution of the mainland area has the ability to control the company.

#### Article 4

A Taiwan-area securities or futures institution shall report to and receive approval from the competent authority in accordance with these Regulations for the following matters:

1. Business dealings between the Taiwan-area securities or futures institution, or a third-region branch unit established by it, and a natural person, juristic person, group, or other institution of the mainland area, or a third-region branch unit established by one of those entities.
2. Establishment of a representative office in the mainland area by the Taiwan-area securities or futures institution or its third-region subsidiary.
3. Investment in a mainland-area securities company, securities investment fund management company, or futures company by the Taiwan-area securities or futures institution or its third-region subsidiary.

A Taiwan-area securities or futures institution making an application pursuant to subparagraph 3 of the preceding paragraph shall additionally apply to the Ministry of Economic Affairs for approval in accordance with the Act Governing Relations Between The People On The Two Sides of The Taiwan Strait.

A mainland area securities or futures institution or a mainland-invested securities or futures institution applying to establish a representative office in the Taiwan area or to invest in a securities firm, securities investment trust enterprise, or futures commission merchant in the Taiwan area shall report to and receive approval from the competent authority in accordance with these Regulations, and in addition shall apply to the Ministry of Economic Affairs for approval in accordance with the Act Governing Relations Between The People On The Two Sides of The Taiwan Strait.

The number of Taiwan-area securities or futures institutions in which a single mainland-area securities or futures institution or a mainland-invested securities or futures institution may invest shall be limited to one only, and from among the mainland-area securities or futures institution or its mainland-invested securities or futures institutions, one entity shall be selected to make the investment.

#### Article 5

When a Taiwan-area securities or futures institution or its third-region subsidiary receives approval pursuant to the preceding article to invest in a mainland-area securities company, securities investment fund management

company, or futures company, the total amount invested may not exceed 40 percent of the net worth of the Taiwan-area securities or futures institution.

#### Article 6

When, in an application by a Taiwan-area securities or futures institution, a mainland-area securities or futures institution, or a mainland-invested securities or futures institution pursuant to these Regulations, facts are present that indicate the likelihood of impairment to the sound management of the institution or its incapacity to meet the requirements of financial supervision, the competent authority may deny approval of the application, or if already approved, may revoke the approval.

Following the approval of an application under the preceding paragraph, the competent authority may void the application upon discovery of any misrepresentation contained in the application, the matters reported therein, or the attached documents.

#### Chapter 2: Business Transactions

#### Article 7

With the approval of the competent authority, Taiwan-area securities and futures institutions and their branches in a third region, with the exception of third-region subsidiaries, may engage in the following business transactions with natural persons, juristic persons, organizations, and other institutions of the mainland area or their branches in a third region:

1. Shareholder services for stocks of Taiwan issuers that are held by persons in the mainland area due to succession or bequest.
2. The sale of stocks of Taiwan issuers that are held by persons in the mainland area due to succession or bequest.
3. Securities investment consulting business or futures consulting business.
4. Discretionary securities investment and discretionary futures trading services.
5. Securities or futures education and training.
6. Futures trades on mainland-area futures exchanges.
7. Financial planning and consulting business.
8. Other business approved by the competent authority.

#### Article 8

With the permission of the competent authority, and in accordance with the types of securities and futures business permitted by law and regulation in the home country of their location, the third-region subsidiaries of Taiwan-area securities or futures institutions may engage in securities and futures transactions with the natural persons, juristic persons, organizations, or other institutions of the mainland area or branches established by them in a third region.

#### Article 9

When a Taiwan-area securities and futures institution engages in the business of the two preceding articles, with the exception of Article 7, paragraph 6, its head office shall apply to the competent authority for permission, stating the types of business and business counterparties, and submitting the following documents:

1. The name and address of the branches, and the name and domicile of the

responsible persons.

2. The types of business permitted by the local governments of such branches outside of the Taiwan area.
3. A written statement of the business and financial conditions of such branches.
4. A business plan, containing a business development plan, detailed business items, and estimated balance sheets and income statements for the coming three years.

#### Article 10

After reporting to and receiving approval from the Executive Yuan, the competent authority may restrict or prohibit business transactions undertaken pursuant to these Regulations when necessary to maintain the stability of the domestic securities and futures markets.

#### Article 11

A Taiwan-area securities and futures institution and any of its third-region subsidiaries that engage in business in accordance with these Regulations shall report the status of the business to its head office within 15 days after the end of each quarter, and the head office shall compile the information and forward it to the competent authority for recordation.

### Chapter 3: The Establishment of Branch Institutions and Equity Investment in the Mainland Area

#### Section 1: Representative Offices

##### Article 12

A Taiwan-area securities firm, securities investment trust enterprise, securities investment consulting enterprise, or futures enterprise that meets the conditions of each of the following subparagraphs may apply to the competent authority for approval to establish a representative office in the mainland area or to establish such a representative office through a third-region subsidiary:

1. It has been established for a period of three full years.
2. Its CPA attested or reviewed financial report for the most recent period shows a net worth per share no lower than par value.
3. It has not during the preceding half year received any disposition pursuant to Article 66, subparagraphs 2 through 4 of the Securities and Exchange Act, Article 103, subparagraphs 1 through 5 of the Securities Investment Trust and Consulting Act, or Article 100, paragraph 1, subparagraphs 2 through 4 of the Futures Trading Act, or, it has received such a disposition but the circumstances of its violation have been materially improved and have been recognized by the competent authority.. The representatives of the preceding paragraph shall possess good moral character and integrity along with professional and leadership ability, and shall be free of any of the circumstances set out in Article 53 of the Securities and Exchange Act, Article 68 of the Securities Investment Trust and Consulting Act, and Article 28 of the Futures Trading Act.

A securities or futures institution of paragraph 1 that applies for approval shall attach the following documents:

1. An application form.
2. A work plan.
3. Minutes of the relevant meeting of the board of directors;

4. A financial report for the preceding year.
5. Documentation showing that the qualifications of the planned representatives conform to the provisions of the preceding paragraph.
6. Other materials or documents, as required by the competent authority.

#### Article 13

The representative office under paragraph 1 of the preceding article may engage in the following types of business, and shall comply with the regulations of the mainland area:

1. Investigation of securities and futures related business conditions;
2. Securities and futures related surveys, research, and information gathering;
3. Various types of management and consulting services required in relation to commercial activities;
4. Holding or participating in seminar activities in relation to securities or futures business;
5. Other matters or related liaison activities as approved by the competent authority.

#### Article 14

The Taiwan-area securities or futures institution or third-region subsidiary of Article 12, paragraph 1 may make an application with the mainland area to establish a representative office only after receiving approval from the competent authority. When there is a change of its planned representative, it shall additionally annex documentation, and receive approval from the competent authority, regarding the representative's compliance with the provisions of Article 12; if the location of the planned representative office is changed, it shall annex relevant information for submission to and recordation by the competent authority.

The Taiwan-area securities or futures institution or third-region subsidiary of the preceding paragraph, after receiving approval from the mainland area competent authority for securities and futures, shall immediately report the fact to the competent authority, and prior to establishment of the representative office, shall annex the following information for submission to and recordation by the competent authority:

1. The letter of approval from the mainland area competent securities and futures authority.
2. The planned date of establishment of the representative office and its full address.
3. The names of its representatives.

#### Article 15

The Taiwan-area securities or futures institution or third-region subsidiary of Article 12, paragraph 1, after establishing a representative office in the mainland area, shall comply with the following provisions:

1. Any occurrence of a major contingent event or fraudulent practice at a representative office shall be handled and reported in accordance with the regulations of the competent authority.
2. Full and accurate updates shall be provided for any change in relevant information on the representative office reported through the competent authority's designated information reporting website.
3. Prior to a change in representatives, documentation of a new

representative's compliance with the provisions of Article 12 shall be submitted to and approved by the competent authority.

4. A change in the representative office's location shall be reported in advance to the competent authority for recordation.

If the representative office of the preceding paragraph is to be closed, the closing shall be reported to and approved by the competent authority prior to making any application for its closure in the mainland area, and when approval is granted by the competent securities and futures authority of the mainland area, it shall be immediately reported to the competent authority. Prior to closing a representative office, the Taiwan-area securities or futures institution shall submit the letter of approval from the mainland area competent securities and futures authority and the planned date of closing to the competent authority for recordation.

## Section 2: Equity Investment

### Article 16

A Taiwan area securities firm meeting the conditions of each of the following subparagraphs may apply to the competent authority for approval for equity investment by the securities firm itself or a third-region subsidiary in a securities company, securities investment fund management company, or futures company in the mainland area:

1. The net worth of the firm stated in the financial report for the most recent period, audited and attested or reviewed by a CPA, is greater than 7 billion New Taiwan Dollars along with a net worth per share no lower than par value.

2. The firm during the preceding three months has received no disposition pursuant to Article 66, subparagraph 1 of the Securities and Exchange Act, Article 103, subparagraph 1 of the Securities Investment Trust and Consulting Act, Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act, or three or more orders for corrective action or improvement within a specified deadline as prescribed in Article 44 of the Trust Enterprise Act.

3. The firm has received no disposition in the preceding half year pursuant to Article 66, subparagraph 2 of the Securities and Exchange Act, Article 103, subparagraphs 2 and 3 of the Securities Investment Trust and Consulting Act, Article 100, paragraph 1, subparagraph 2 of the Futures Trading Act, or Article 44, subparagraph 1 of the Trust Enterprise Act.

4. The firm has received no disposition in the preceding year pursuant to Article 66, subparagraph 3 of the Securities and Exchange Act, Article 103, subparagraph 4 of the Securities Investment Trust and Consulting Act, Article 100, paragraph 1, subparagraph 3 of the Futures Trading Act, or Article 44, subparagraph 2 of the Trust Enterprise Act.

5. The firm has received no disposition in the preceding two years pursuant to Article 66, subparagraph 4 of the Securities and Exchange Act, Article 103, subparagraph 5 of the Securities Investment Trust and Consulting Act, Article 100, paragraph 1, subparagraph 4 of the Futures Trading Act, or Article 44, subparagraph 3 of the Trust Enterprise Act.

6. The firm has received no disposition within the preceding year pursuant to the articles of incorporation of the Taiwan Stock Exchange, the GreTai Securities Market, the Taiwan Futures Exchange, or a futures clearing house requiring it to suspend or restrict trading activities.

7. The firm had a self-owned capital adequacy ratio above 20 percent for the preceding three months.

A Taiwan-area securities firm that does not meet the conditions of subparagraphs 2 through 6 of the preceding paragraph but that has made concrete improvement in the circumstances of its non-compliance and has received approval from the competent authority is not subject to the restrictions of those subparagraphs.

#### Article 17

A Taiwan-area securities investment trust enterprise (SITE) that meets the conditions of each of the following subparagraphs may apply to the competent authority for permission for equity investment by the SITE itself or a third-region subsidiary in a mainland-area securities investment fund management company:

1. The SITE has a net worth per share no lower than par value as stated in the financial report for the most recent period, audited and attested or reviewed by a CPA.

2. The SITE has during the preceding three months received no disposition pursuant to Article 103, subparagraph 1 of the Securities Investment Trust and Consulting Act, Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act, or three or more orders for corrective action or improvement within a specified deadline as prescribed in Article 44 of the Trust Enterprise Act.

3. The SITE has received no disposition during the preceding half year pursuant to Article 103, subparagraphs 2 or 3 of the Securities Investment Trust and Consulting Act, Article 100, paragraph 1, subparagraph 2 of the Futures Trading Act, or Article 44, subparagraph 1 of the Trust Enterprise Act.

4. The SITE has received no disposition during the preceding year pursuant to Article 103, subparagraph 4 of the Securities Investment Trust and Consulting Act, Article 100, paragraph 1, subparagraph 3 of the Futures Trading Act, or Article 44, subparagraph 2 of the Trust Enterprise Act.

5. The SITE has received no disposition during the preceding two years pursuant to Article 103, subparagraph 5 of the Securities Investment Trust and Consulting Act, Article 100, paragraph 1, subparagraph 4 of the Futures Trading Act, or Article 44, subparagraph 3 of the Trust Enterprise Act.

A Taiwan-area SITE that does not meet the conditions of subparagraphs 1 through 4 of the preceding paragraph but that has made concrete improvement in the circumstances of its non-compliance and has received approval from the competent authority is not subject to the provisions of those subparagraphs.

#### Article 18

A Taiwan area futures commission merchant (FCM) that meets the conditions of each of the following subparagraphs may apply to the competent authority for permission for the FCM itself or a third-region subsidiary to make equity investment in a mainland-area futures company:

1. The FCM has a net worth per share no lower than par value as stated in the CPA audited and attested or CPA reviewed financial report for the most recent period.

2. The FCM has received no disposition during the preceding three months pursuant to Article 66, subparagraph 1 of the Securities and Exchange Act,

Article 103, subparagraph 1 of the Securities Investment Trust and Consulting Act, or Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act.

3. The FCM has received no disposition during the preceding half year pursuant to Article 66, subparagraph 2 of the Securities and Exchange Act, Article 103, subparagraphs 2 and 3 of the Securities Investment Trust and Consulting Act, or Article 100, paragraph 1, subparagraph 2 of the Futures Trading Act.

4. The FCM has received no disposition during the preceding year pursuant to Article 66, subparagraph 3 of the Securities and Exchange Act, Article 103, subparagraph 4 of the Securities Investment Trust and Consulting Act, or Article 100, paragraph 1, subparagraph 3 of the Futures Trading Act.

5. The FCM has received no disposition during the preceding two years pursuant to Article 66, subparagraph 4 of the Securities and Exchange Act, Article 103, subparagraph 5 of the Securities Investment Trust and Consulting Act, or Article 100, paragraph 1, subparagraph 4 of the Futures Trading Act.

6. The FCM has received no disposition during the preceding year pursuant to the bylaws of the Taiwan Stock Exchange, the GreTai Securities Market, the Taiwan Futures Exchange, or a futures clearing house requiring it to suspend or restrict its trading activities.

7. The FCM had average adjusted net capital for the preceding three months of not less than 40% of the total amount of margin deposits required for futures traders' open positions.

A Taiwan-region FCM that does not meet the conditions of subparagraphs 2 through 6 of the preceding paragraph but that has made concrete improvement in the circumstances of its non-compliance and has received approval from the competent authority will not be subject to the provisions of those subparagraphs.

#### Article 19

A Taiwan area securities firm applying for approval pursuant to Article 16 shall submit the following documents, except as otherwise provided by the competent authority:

1. An application form.

2. An investment proposal setting out the following matters:

a. The investment plan: to include the strategic purpose of the investment, expected benefits, funding sources, a utilization plan, operating plan, and capital recovery plan.

b. Business management principles: to include the location of the company, its capitalization, the lines of business and operations it engages in, and a business management strategy.

c. The investee company's shareholder structure, organizational structure, division of duties, and personnel staffing.

d. A financial assessment of the investee company for the upcoming three years.

e. Risk assessment: Assessment of operating risks and a concrete risk management plan.

3. Minutes of the relevant directors meeting.

4. A financial report for the most recent period, audited and attested or reviewed by a CPA.

5. A list of domestic and foreign investee enterprises as of the date of application.
6. Equity investment agreement documents: To include documentary evidence of the ability to obtain investee company financial and operational information and to carry out the strategic objectives of investment.
7. Other data or documents to be submitted pursuant to regulations of the competent authority.

#### Article 20

A Taiwan area securities firm or a third-region subsidiary may only submit an application in the mainland region for equity investment after receiving approval from the competent authority pursuant to Article 16. When there is a change in the planned investment amount or shareholding ratio, it shall report the relevant information to and receive approval from the competent authority.

The Taiwan-area securities firm, after receiving approval from the mainland area competent authority for securities and futures, shall immediately notify the competent authority, and shall submit the following information to the competent authority for recordation:

1. The letter of approval from the competent securities and futures authority of the mainland area.
2. The amount of investment, the subject investee company, and its shareholder structure.

When a Taiwan-area securities firm or a third-region subsidiary makes a transfer of its equity holdings in a mainland-area securities or futures institution, the Taiwan-area securities firm shall submit the relevant information to the competent authority for recordation prior to the transfer.

#### Article 21

When a Taiwan-area securities firm or a third-region subsidiary increases the amount of its equity investment in a mainland-area securities or futures institution, the Taiwan-area securities firm shall submit an application with attached documentation and receive approval from the competent authority in accordance with Article 19.

#### Article 22

When any of the following circumstances apply to a mainland-area securities or futures institution in which a Taiwan-area securities firm or third-regions subsidiary has made equity investment, the Taiwan-area securities firm shall immediately report the reasons to the competent authority along with relevant documentation:

1. A change in principal areas of business or operating policies.
2. A change in authorized capital resulting in a change in the original shareholding ratio of the Taiwan-area securities firm or its third-region subsidiary.
3. Any material re-investment.
4. Dissolution or suspension of operations.
5. A change in the institution's name.
6. A merger with another financial institution, or assignment to or receipt of assignment from another of all or the major part of assets or operations.
7. A reorganization, liquidation, or bankruptcy.

8. The occurrence or foreseeable occurrence of material losses.
9. An instance of material violation of the law or the voidance or revocation of the business permission by the mainland-area competent authority for securities and futures.
10. Other matters of a material nature.

#### Article 23

When a Taiwan-area securities firm or third-region subsidiary has made equity investment after receiving approval from the competent authority, it shall undertake the following matters except when otherwise provided by the competent authority:

1. Submission to the competent authority, within 15 days after the end of each quarter, of an operations report on the mainland-area securities or futures institution (to include status of operations, revenues and expenditures, and an efficiency assessment).
2. Submission, along with the monthly accounting summary, of a report on the operational status of the mainland-area securities or futures institution.
3. Reporting of basic company information on the mainland-area securities or futures institution through the competent authority's designated information-reporting system.
4. Other information or documentation to be submitted pursuant to the regulations of the competent authority.

#### Article 24

The provisions of Articles 19 through the preceding article apply mutatis mutandis to securities investment trust enterprises and futures commission merchants.

### Chapter 4: Establishment of Branch Units and Equity Investment in Taiwan

#### Section 1: Representative Offices

##### Article 25

A mainland-area securities or futures institution or a mainland-invested securities or futures institution that possess the qualifications of each of the following subparagraphs may apply to the competent authority for permission to establish a representative office in the Taiwan area:

1. Experience in international securities and futures business.
2. Having received no disposition during the preceding three years from the competent securities and futures authority of the place of its registration requiring a suspension of business.
3. A financial report for the most recent period, audited or reviewed by a CPA of the place of registration, showing net worth per share not lower than par value, along with sustained profitability over the preceding three-year period.
4. Consent to establish a representative office in Taiwan from the competent securities and futures authority of the place of registration.

The "experience in international securities and futures business" of subparagraph 1 of the preceding paragraph means having operated securities or futures business for five years or more, while possessing one of the following qualifications:

1. Having obtained status as a member of or qualification for trading on an exchange of a country other than the country of registration.

2. Having established a place of business in a country other than the country of registration.

A representatives under the paragraph 1 shall possess good moral character and integrity along with professional and leadership ability, and shall be free of any circumstance set out in Article 53 of the Securities and Exchange Act, Article 68 of the Securities Investment Trust and Consulting Act, and Article 28 of the Futures Trading Act.

Any single mainland-area securities or futures institution or mainland-invested securities or futures institution shall be limited to the establishment of only one representative office in the Taiwan area.

#### Article 26

A mainland-area securities or futures institution or a mainland-invested securities or futures institution that applies to establish a representative office in the Taiwan area shall apply to the competent authority for permission with the following documents:

1. An application.
2. A permission license approved and issued by the competent securities and futures authority or related agency at the place of registration, and documentation showing compliance with paragraph 1 of the preceding article.
3. A self-assessment analysis of the soundness and legal compliance status of its business operations.
4. Its articles of incorporation.
5. A record of the board of directors' resolution regarding application to establish a representative office in the Taiwan area.
6. The document showing the consent of the competent securities and futures authority of the place of registration for establishment of a representative office in the Taiwan area.
7. Financial reports for the most recent three years, audited and attested by a CPA of the place of registration.
8. The power of attorney for any representative assigned to the representative office.
9. The representative's curriculum vitae and documentation that their qualifications comply with paragraph 3 of the preceding article.
10. The power of attorney for the institution's agent applying to establish a representative office.
11. A register of the members of the board of directors.
12. Other documents required for submission by the competent authority.

If the documents under subparagraph 2 and subparagraphs 4 through 10 of the preceding paragraph were produced in a third region, then in addition to being legalized by a notary public or a notary organization of the place of registration, they must also be authenticated by a Taiwan embassy or consulate, representative office, office, or other agency authorized by the Ministry of Foreign Affairs ("foreign representative office"); if they were produced in the mainland area, they must be authenticated or verified by an agency established or designated by the Executive Yuan or a delegated private-sector entity.

A traditional Chinese version must be submitted for the documents prescribed under each subparagraph of paragraph 1.

#### Article 27

When a mainland-area securities or futures institution or a mainland-

invested securities or futures institution establishes a representative office in the Taiwan area, then except as otherwise provided by the competent authority, it may only engage in non-operational activities such as information collecting, liaison, and business surveys in relation to securities and futures business.

The competent authority may revoke the permission for a Taiwan-area representative office of a mainland-area securities or futures institution or a mainland-invested securities or futures institution for violation of the provisions of the preceding paragraph,.

#### Article 28

A mainland-area securities or futures institution or a mainland-invested securities or futures institution, within six months from the day it receives the competent authority's approval to establish a representative office, shall apply to the Ministry of Economic Affairs for permission in accordance with the Act Governing Relations Between The People On The Two Sides of The Taiwan Strait. Prior to the date of establishment, it shall submit a letter reporting the date of establishment and the address of its representative office, along with a photocopy of the Ministry of Economic Affairs' permission document, for recordation by the competent authority and the Ministry of Economic Affairs. The competent authority may revoke its permission if these steps have not been completed by the prescribed date.

The competent authority shall be immediately notified after the representative office has been established, and the representative office shall comply with the following provisions:

1. Any occurrence of a major contingent event or fraudulent practice at the representative office shall be handled and reported in accordance with the regulations of the competent authority.
2. Full and accurately updates shall be provided for any change in the relevant information on the representative office reported through the competent authority's designated information reporting website.
3. Prior to a change in representatives, documentation of a new representative's compliance with the provisions of Article 25, paragraph 3 shall be submitted to and approved by the competent authority.
4. A change in the representative office's location or the office's closure shall be reported to the competent authority in advance for recordation.

#### Article 29

When a mainland-area securities or futures institution or a mainland-invested securities or futures institution establishes a representative office in the Taiwan area, it shall compile a work report on the status of its work in the Taiwan area for submission to and recordation by the competent authority within two months after the close of the business year for head office.

#### Article 30

The competent authority may at any time dispatch personnel to audit work and other relevant matters at the mainland-area securities or futures institution or mainland-invested securities or futures institution, or require it to submit a work report or other relevant information within a specified deadline.

## Article 31

A mainland-area securities company or a mainland-invested securities company that meets the following requirements may apply to the competent authority for permission to make equity investment in securities firms in the Taiwan area:

1. Experience in international securities business.
2. Simultaneous operation of the three types of securities business, namely, underwriting, dealing, and brokerage or intermediary services, with sustained profitability over the most recent three-year period, along with a financial report for the most recent period, audited or reviewed by a CPA of the place of the company's registration, showing net worth per share no lower than par value.
3. No violation by the company during the preceding three years of the regulations of the competent securities authority of the place of its registration in regard to financial indices.
4. Sound corporate governance, risk management, and internal control systems.
5. A clearly defined source of funding for the investment.
6. Transparency of financial and business information.
7. Permission for the investment from the competent securities authority of its place of registration.
8. No receipt within the most recent three years of any material disposition from the competent authority, self-regulatory organization, or administrative or judicial agency of the place of its registration.
9. A good social reputation, and no adverse record with administrative agencies for commerce or industry or with commercial banks.
10. No current investigation of the company by the competent authority of the place of its registration for conduct in violation of regulations.
11. A continuous rating of Class A or higher in accordance with the mainland area's regulations for classification and supervision of securities firms.
12. Paid-in capital of at least NTD50 billion.
13. Other requirements imposed by the regulations of the competent authority.

The provisions of Article 25, paragraph 2 apply mutatis mutandis to the meaning of "experience in international securities business" in subparagraph 1 of the preceding paragraph.

## Article 32

A mainland-area securities investment fund management company or a mainland-invested securities investment fund management company that meets the following requirements may apply to the competent authority for permission to make equity investment in securities investment trust enterprises (SITEs) in the Taiwan area:

1. Having been established for a full five years.
2. Ample experience managing or operating international securities investment trust fund business.
3. Having raised through public offerings a total of not less than NT\$800 billion, invested in the fund assets of securities mutual funds, securities unit trusts, or securities investment trusts.
4. Sustained profitability over the most recent three years, and a

financial report for the most recent period, audited or reviewed by a CPA of its place of registration, showing a net worth per share not less than par value.

5. Sound corporate governance, risk management, and internal control systems.
6. A clearly defined source of funding for the investment.
7. Transparency of financial and business information.
8. Permission for the investment from the competent securities authority of its place of registration.
9. No receipt within the most recent three years of any material disposition from the competent authority, self-regulatory organization, or administrative or judicial agency of the place of its registration.
10. A good social reputation, and adverse record with administrative agencies for commerce or industry or with commercial banks within the preceding three years.
11. No current investigation of the company by the competent authority of the place of its registration for conduct in violation of regulations.
12. No record of conduct injurious to customer interests such as misappropriation of customer assets.
13. Paid-in capital of at least NTD1.5 billion.
14. Other requirements imposed by the regulations of the competent authority.

### Article 33

A mainland-area futures company or a mainland-invested futures company that meets the following requirements may apply to the competent authority to make equity investment in futures commission merchants in the Taiwan area:

1. Experience in international futures business.
2. Sustained profitability over the most recent three years, and a financial report for the most recent period, audited or reviewed by a CPA of its place of registration, showing a net worth per share not less than par value.
3. No violation during the preceding five years of the regulations of the competent futures authority of its place of registration.
4. Sound corporate governance, risk management, and internal control systems.
5. A clearly defined source of funding for the investment.
6. Transparency of financial and business information.
7. Permission for the investment from the competent futures authority of its place of registration.
8. No receipt within the most recent five years of any material disposition from the competent authority, self-regulatory organization, or administrative or judicial agency of the place of its registration.
9. A good social reputation, and no adverse record with administrative agencies for commerce or industry or with commercial banks within the preceding three years.
10. No current investigation of the company by the competent authority of the place of its registration for conduct in violation of regulations.
11. A continuous Class A or higher rating in accordance with the mainland area's regulations for classification and supervision of securities firms.
12. Paid-in capital of at least NTD400 million.

13. Other requirements imposed by the regulations of the competent authority.

The provisions of Article 25, paragraph 2 apply mutatis mutandis to the meaning of "experience in international futures business" in subparagraph 1 of the preceding paragraph.

#### Article 34

A mainland-area securities company or a mainland-invested securities company that applies pursuant to Article 31 for equity investment in a Taiwan-area securities firm shall apply to the competent authority for permission with the following documents:

1. An application form.
2. Basic company information on the mainland-area securities company or mainland-invested securities company, including company name, paid-in capital, period of establishment, scope of operations, principal responsible persons, and members of the board of directors and their curriculum vitae.
3. A list of shareholders holding five percent or more of the total issued voting shares of the mainland-area securities company or mainland-invested securities company and their background information.
4. A permission license approved and issued by the competent securities and futures authority or related agency at the place of registration
5. The company's articles of incorporation.
6. A record of the resolution by the board of directors or shareholders meeting of the mainland-area securities company or mainland-invested securities company regarding application to invest in the Taiwan area.
7. An investment plan, which shall include the strategic objective and means of the investment, anticipated benefits, source of funding, and utilization plan.
8. A description of the company's experience in international securities business and relevant documentation.
9. An audit opinion issued by a CPA of the place of the company's registration regarding requirements for sound internal control systems and a clearly defined source of funding for the investment.
10. A legal opinion issued by an attorney of the place of the company's registration regarding its compliance with Article 31, paragraph 1, subparagraphs 8 and 9 and the legal compliance status of its business operations.
11. Financial reports for the most recent three years, audited and attested by a CPA of the company's place of registration; if the application is made more than six months after the start of the fiscal year, the financial report for the most recent half-year period, audited and attested by a CPA of the place of the company's registration, shall also be submitted.
12. Documentation showing permission issued by the competent securities authority of the place of registration and compliance with Article 31, paragraph 1, subparagraphs 3 and 10.
13. An explanation of the soundness of the company's corporate governance and risk management systems, with documentation.
14. An explanation of the transparency of financial and operational information, with documentation.
15. A written declaration that there is no misrepresentation or

nondisclosure in any matter set out in the application and attached documents.

16. Documentation of compliance with Article 31, paragraph 1, subparagraph 11.

17. The equity investment agreement.

18. Other documents to be submitted pursuant to the regulations of the competent authority.

The documents under subparagraphs 4 through 6, subparagraphs 8 through 12, and subparagraphs 16 and 17 of the preceding paragraph shall be legalized by a notary public or a notary organization of the place of registration, and in addition, if the documents were produced in a third region, they must also be authenticated by a Taiwan foreign representative office; if they were produced in the mainland area, they must be authenticated or verified by an agency established or designated by the Executive Yuan or a delegated private-sector entity.

A traditional Chinese version must be submitted for the documents prescribed by each subparagraph under paragraph 1.

### Article 35

A mainland-area securities investment fund management company or a mainland-invested securities investment fund management company that applies for equity investment in securities investment trust enterprises (SITEs) in the Taiwan area in accordance with Article 32 shall apply to the competent authority for permission with the following documents:

1. An application form.
2. Basic company information on the mainland-area securities investment fund management company or mainland-invested securities investment fund management company, including company name, paid-in capital, period of establishment, scope of operations, principal responsible persons, and members of the board of directors and their curriculum vitae.
3. A list of shareholders holding five percent or more of the total issued voting shares of the mainland-area securities investment fund management company or mainland-invested securities investment fund management company and their background information.
4. The permission license approved and issued by the competent securities and futures authority or related agency of the place of registration.
5. The company's articles of incorporation.
6. A record of the resolution by the board of directors or shareholders meeting of the mainland-area securities company or mainland-invested securities company regarding application to invest in the Taiwan area.
7. An investment plan, including the strategic objective and means of the investment, anticipated benefits, source of funding, and utilization plan.
8. A description showing the company has ample experience in managing or operating international securities investment trust fund business, with relevant documentation.
9. Documentation showing that the assets managed by the mainland-area securities investment fund management company or a mainland-invested securities investment fund management company comply with the provisions of Article 32, subparagraph 3.
10. An audit opinion issued by a CPA of the place of the company's registration regarding requirements for sound internal control systems and

a clearly defined source of funding for the investment.

11. A legal opinion issued by an attorney of the place of registration regarding the company's compliance with Article 32, subparagraphs 9, 10, and 12 and the legal compliance status of its business operations.
12. Financial reports for the most recent three years, audited and attested by a CPA of the place of registration.
13. Documentation showing approval and permission by the competent securities authority of the place of registration and compliance with Article 32, subparagraph 11.
14. An explanation of the soundness of the company's corporate governance and its risk management systems, with documentation.
15. An explanation of the transparency of financial and operational information, with documentation.
16. A written declaration that there is no misrepresentation or nondisclosure in any matter set out in the application and attached documents.
17. The equity investment agreement.
18. Other documents required for submission by the competent authority.

The documents under subparagraphs 4 through 6, subparagraphs 8 through 13, and subparagraph 17 of the preceding paragraph shall be legalized by a notary public or a notary organization of the place of registration, and in addition, if the documents were produced in a third region, they must also be authenticated by a Taiwan foreign representative office; if they were produced in the mainland area, they must be authenticated or verified by an agency established or designated by the Executive Yuan or a delegated private-sector entity.

A traditional Chinese version must be submitted for the documents prescribed by each subparagraph under paragraph 1.

#### Article 36

A mainland-area futures company or a mainland-invested futures company that applies to make equity investment in futures commission merchants in the Taiwan area in accordance with Article 33 shall apply to the competent authority for permission with the following documents:

1. An application form.
2. Basic company information on the mainland-area futures company or mainland-invested futures company, including company name, paid-in capital, period of establishment, scope of operations, principal responsible persons, and members of the board of directors and their curriculum vitae.
3. A list of shareholders holding five percent or more of the total issued voting shares of the mainland-area futures company or mainland-invested futures company and their background information.
4. The permission license approved and issued by the competent futures authority or related agency of the place of registration.
5. The company's articles of incorporation.
6. A record of the resolution by the board of directors or shareholders meeting of the mainland-area futures company or mainland-invested futures company regarding application to invest in the Taiwan area.
7. An investment plan, including the strategic objective and means of the investment, anticipated benefits, source of funding, and utilization plan.
8. A description showing that the company has ample experience in managing

or operating international futures business, with relevant documentation.

9. An audit opinion issued by a CPA of the place of the company's registration regarding requirements for sound internal control systems and a clear and definite source of funding for the investment.

10. A legal opinion issued by an attorney of the place of registration regarding the company's compliance with Article 33, paragraph 1, subparagraphs 8 and 9 and the legal compliance of its business operations.

11. Financial reports for the most recent three years, audited and attested by a CPA of the place of registration; if the application is made more than six months after the start of the fiscal year, the financial report for the most recent half-year period, audited and attested by a CPA of the place of the company's registration, shall also be submitted.

12. Documentation showing the permission issued by the competent securities authority of the place of registration and compliance with Article 33, paragraph 1, subparagraphs 3 and 10.

13. An explanation of the soundness of the company's corporate governance and its risk management systems, with documentation.

14. An explanation of the transparency of financial and operational information, with documentation.

15. A written declaration that there is no misrepresentation or nondisclosure in any matter set out in the application and attached documents.

16. Documentation showing compliance with the provisions of Article 33, paragraph 1, subparagraph 11.

17. The equity investment agreement.

18. Other documents required for submission by the competent authority.

The documents under subparagraphs 4 through 6, subparagraphs 8 through 12, and subparagraphs 16 and 17 of the preceding paragraph shall be legalized by a notary public or a notary organization of the place of registration, and in addition, if the documents were produced in a third region, they must also be authenticated by a Taiwan foreign representative office; if they were produced in the mainland area, they must be authenticated or verified by an agency established or designated by the Executive Yuan or a delegated private-sector entity.

A traditional Chinese version must be submitted for the documents prescribed by each subparagraph under paragraph 1.

### Article 37

When a mainland-area securities or futures institution or a mainland-invested securities or futures institution undertakes equity investment in a Taiwan-area securities or futures institution, the total amount of cumulative investment and holdings by any such individual institution in any single Taiwan-area exchange-listed or OTC-listed securities or futures institution may not exceed five percent of the total issued voting shares or total authorized capital; the total amount of cumulative investment and holdings by all such institutions in any single Taiwan-area exchange-listed or OTC-listed securities or futures institution may not exceed ten percent of the total issued voting shares or total authorized capital.

When a mainland-area securities or futures institution or a mainland-invested securities or futures institution undertakes equity investment in a Taiwan-area securities or futures institution, the total amount of

cumulative investment and holdings by any such individual institution, in any single Taiwan-area non-exchange-listed or non-OTC-listed securities or futures institution, may not exceed ten percent of the investee's total issued voting shares or total authorized capital; the total amount of cumulative investment and holdings by all such institutions in any single Taiwan-area exchange-listed or OTC-listed securities or futures institution may not exceed 15 percent of the investee's total issued voting shares or total authorized capital.

#### Article 38

When a mainland-area securities or futures institution or a mainland-invested securities or futures institution makes equity investment in a Taiwan-area securities firm, SITE, or futures commission merchant, the lines of business which the Taiwan-area investee may apply to operate will be separately prescribed by the competent authority.

#### Article 39

When a mainland-area securities or futures institution or a mainland-invested securities or futures institution that makes equity investment in a Taiwan-area securities or futures institution appoints a director to the Taiwan-area investee securities or futures institution, it shall submit related information and documentation to and receive approval from the competent authority prior to the appointment.

The competent authority may when necessary order the mainland-area securities or futures institution or mainland invested securities or futures institution to submit necessary information or documentation or to designate persons to appear before the competent authority to provide explanations within a specified deadline.

#### Article 40

If a mainland-area securities or futures institution or a mainland-invested securities or futures institution transfers its shareholdings after making an equity investment in a Taiwan-area securities or futures institution, then it and the transferee shall jointly apply to the competent authority for permission.

If the mainland-area securities or futures institution or mainland-invested securities or futures institution violates the provisions of the preceding paragraph, the competent authority may revoke its investment permission or make other necessary dispositions.

#### Article 41

After a mainland-area securities or futures institution or a mainland-invested securities or futures institution receives approval for an equity investment, it shall make an inward remittance of the funds for the investment within a period approved by the competent authority and submit a request that the competent authority audit the remittance. If the funds cannot be remitted during the specified period, the investment may not proceed, provided that with legitimate reason, an application may be made to the competent authority for an extension prior to the expiration of the period.

#### Article 42

A mainland-area securities or futures institution or a mainland-invested securities or futures institution may apply for foreign exchange settlement for interest or earnings distributions it receives each year from its

investments.

When a mainland-area securities or futures institution or a mainland-invested securities or futures institution has received approval to transfer shares or to reduce its investment in an investee Taiwan-area securities or futures institution, it may apply for a single foreign exchange settlement for the full amount of the investment amount approved by the competent authority; the same shall be true for capital gains on its investment.

When a mainland-area securities or futures institution or a mainland-invested securities or futures institution is entitled to make a foreign exchange settlement pursuant to these Regulations, that right may not be transferred, provided that this restriction shall not apply when permission is granted subsequent to consultations between the competent authority and the Central Bank.

#### Article 43

When any of the following circumstances applies to a mainland-area securities or futures institution or a mainland-invested securities or futures institution that has made equity investment in the Taiwan area, it shall immediately report the matter to the competent authority:

1. Dissolution or suspension of business.
2. The occurrence of reorganization, liquidation, bankruptcy, or the voiding or revocation of its business permission by the competent securities and futures authority of the mainland area.
3. A merger with another financial institution, or the transfer to or receipt of transfer of all or a major part of assets or operations of another financial institution.
4. The occurrence of losses in excess of one-third of authorized capital.
5. Other matters which must be reported pursuant to the regulations of the competent authority.

#### Article 44

The investee Taiwan-area securities or futures institution shall enter basic information on the mainland-area securities or futures institution or mainland-invested securities or futures institution and its level of shareholding into the information reporting system designated by the competent authority, and shall provide an accurate update when there is any change in the information.

### Chapter 5: Supplementary Provisions

#### Article 45

For documents submitted pursuant to Article 26, paragraph 1, Article 34, paragraph 1, Article 35, paragraph 1, Article 36, paragraph 1, and Article 39, in addition to the requirements of Article 26, paragraph 2, Article 34, paragraph 2, Article 35, paragraph 2, and Article 36, paragraph 2, when the document was prepared in the mainland area, the competent authority may as needed require that the applicant have the document legalized by a mainland area notary organization and authenticated or verified by an agency established or designated by the Executive Yuan or a delegated private-sector entity.

#### Article 46

When due to a change in equity ownership structure, a third-region securities or futures institution that has established a representative

office in the Taiwan area becomes a mainland-invested securities or futures institution, it shall apply to the competent authority for permission with related documentation, and state the following matters:

1. The reasons for the change in equity ownership structure, and the status subsequent to the change.

2. The names and shareholding ratios or capital contributions of mainland investors.

3. The directors directly or indirectly selected or appointed by mainland investors, and their number.

4. Its future operating strategy for the Taiwan area, including its planned measures for response if the competent authority does not grant permission.

5. Other matters for which the competent authority may require explanation.

If the securities or futures institution of the preceding paragraph receives approval, its representative office in the Taiwan area shall be managed in accordance with the provisions of these Regulations, and it may not apply for the establishment of any additional representative office.

If the paragraph 1 application is not approved by the competent authority, the competent authority shall void or revoke the permission for establishment of a Taiwan-area representative office by the securities or futures institution.

#### Article 47

When the equity ownership structure of a third-region juristic person, group, or other institution that has invested in a Taiwan-area securities or futures institution undergoes change with the result that a natural person, juristic person, group, or other institution of the mainland area or its overseas branch unit holds more than 30 percent of the total issued voting shares or authorized capital of the given third-region juristic person, group, or other institution, or has the ability to control the given third-region juristic person, group, or other institution, the Taiwan-area securities or futures institution shall submit an application, with relevant documentation, to the competent authority for permission.

If the application of the preceding paragraph is not approved by the competent authority, the competent authority may void or revoke the permission for investment by the third-region juristic person, group, or other institution.

If the paragraph 1 application is approved by the competent authority, and a person appointed by the given third-region juristic person, group, or other institution to serve as director at the investee Taiwan-area securities or futures institution is a mainland area natural person, the Taiwan area securities or futures institution shall proceed in accordance with the provisions of Article 39, paragraph 1.

The investee Taiwan-area securities or futures institution of paragraph 1 shall enter basic information on the status of shareholdings of the natural person, juristic person, group, or other institution of the mainland area, or its overseas branch unit, with respect to the given third-region juristic person, group, or other institution into the information reporting system designated by the competent authority, and shall provide an accurate update when there is any change in the information.

#### Article 48

The format of the documents required under these Regulations will be

prescribed by the competent authority.

**Article 49**

If the items to be set out in documents required under these Regulations are incomplete or insufficient, the competent authority may reject the application; if the required information can be supplemented but has not been supplemented by a deadline set by the competent authority, the application will be rejected.

**Article 50**

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

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