

Content

Title :	Regulations Governing Stock Exchanges Ch
Date :	2012.07.11
Legislative :	<p>9. Articles 2, 3, 13, 26, 27, and 42 were amended by the Securities and Exchange Commission, Ministry of Finance per its order dated August 25, 2000 Ref. No. (89) Taiwan-Finance-Securities(3) 02960</p> <p>10. Articles 1, 2, 19, 21, and 32 amended and issued 13 June 2006 per Order No. Financial-Supervisory-Securities-III-0950002765 of the Financial Supervisory Commission, Executive Yuan</p> <p>11. Article 30 amended and issued per 3 January 2012 Order No. Financial-Supervisory-Securities-Trading-1000064256 of the Financial Supervisory Commission, Executive Yuan</p> <p>12. Articles 2, 30, 31, 32-1, and 49 amended and issued per 11 July 2012 Order No. Financial-Supervisory-Securities-Trading-1010031167 of the Financial Supervisory Commission; for enforcement from the date of issuance except for Articles 30, 31, and 32-1, which shall enter into force from fiscal 2013</p>
Content :	<p>Chapter I General Principles</p> <p>Article 1</p> <p>These Regulations are prescribed in accordance with Articles 93, 95, 99, 102, 137, and 154 of the Securities and Exchange Act (the "Act").</p> <p>Article 2</p> <p>A stock exchange may be organized in the form of either membership or company. In order to establish a stock exchange, a permit shall be obtained from the Financial Supervisory Commission (FSC).</p> <p>Article 3</p> <p>The term "associated persons" as used in these Regulations means managerial officers and the personnel who engage in the following businesses for a stock exchange:</p> <ol style="list-style-type: none">1. Examination of applications for securities to be listed.2. Audit of finance and business of listed companies.3. Transaction, monitoring, clearing, settlement and custodial service of the centralized securities exchange market.4. Computer operation and information management of the centralized securities exchange market.5. Audit of the finance and business of the stock exchange its members, securities brokers, and securities dealers.6. International affairs of the stock market.7. Other operations approved by the FSC. <p>Chapter II Permission or Special Approval for Establishment</p> <p>Section I A Membership Stock Exchange</p> <p>Article 4</p> <p>For the establishment of a membership stock exchange, all of its members shall submit the following documents, each in three copies, to the FSC to apply for approval:</p> <ol style="list-style-type: none">1. Application form (as per Attachment 1).2. Articles of association and operating rules.

3. List of members.
4. A statement indicating conditions of the business premises and facilities.
5. List of directors and supervisors and photocopies of their identification cards.
6. Director and supervisor registration form (as per Attachment 2) and a written statement declaring that they are free of the conditions prohibited in Article 53 of the Act.
7. Documentary proof of deposit of membership contribution in full to the designated bank account by each member.
8. The first year business forecast report and the estimate report of expense and income.
9. Financial and auditing reports certified by certified public accountants.
10. The minutes of the establishment meeting.

Article 5

The articles of association as referred to in subparagraph 2 of the preceding article shall contain the following particulars:

1. Matters regarding particulars required under Articles 105, 113, and 170 of the Act.
2. Matters regarding the causes of dissolution.

Article 6

The membership list as referred to in Article 4, subparagraph 3 shall contain the following particulars:

1. Projected number of members.
2. Names and addresses of the members.
3. Each member's capacity and occupation concurrently engaged.
4. The amount of capital contribution from each member.

Article 7

Directors and supervisors of a membership stock exchange shall not take the office until the stock exchange receives the notice of permission from the FSC.

Directors, after assumption of office, shall organize the board of directors and elect the chairman of the board in accordance with applicable laws and regulations and shall appoint managers and associated persons and report such to the FSC for approval and registration.

Article 8

A membership stock exchange shall file with the district court for the juristic person registration within 30 days after receiving the notice of permission issued by the FSC.

Article 9

A membership stock exchange shall, enclosing photocopies of the juristic person registration and the payment receipt of the operation bond, file with the FSC for a permit certificate within 15 days after completing the juristic person registration. For those who fail to file with the FSC within the deadline, the original permission shall be deemed void. The stock exchange, with legitimate reasons, may apply to the FSC for an extension.

Article 10

If there is any modification to the registration of a membership stock

exchange, the stock exchange shall present the modification application form along with three copies of related documents to the FSC and file for modification to the registration.

Section II A Company Type Stock Exchange

Article 11

A company type stock exchange shall be a company limited by shares incorporated via promotion.

Article 12

The minimum paid-in capital of a company type stock exchange shall be NT\$500 million.

Article 13

To incorporate a company type stock exchange, all its shareholders shall prepare the following documents, each in three copies, and file with the FSC for approval:

1. Application form.
2. Articles of incorporation and operating rules.
3. List of shareholders.
4. A statement indicating the conditions of business premises and facilities.
5. List of directors and supervisors and photocopies of their identification cards.
6. Director and supervisor registration form and a written statement declaring that they are free of the conditions prohibited in Article 53, subparagraphs 1 to 4 and subparagraph 6 of the Act.
7. Documentary proof of full payment for shares to the designated bank account.
8. Business forecast report of the first year.
9. Financial and audit reports certified by certified public accountants.
10. Minutes of the promoters' meeting.

Article 14

The articles of incorporation of a company type stock exchange shall comply with the provisions of the Company Act, and shall also contain the following particulars:

1. Matters regarding the provisions of Article 125, paragraph 2 of Article 126, Article 128, and Article 170 of the Act.
2. Matters prescribed in Article 32 of these Regulations.
3. Accounting matters.

Article 15

A company type stock exchange shall, after receiving the notice of approval issued by the FSC, file for incorporation registration in accordance with the Company Act.

Article 16

A company type stock exchange shall, enclosing a photocopy of the license and a photocopy of payment receipt of the operation bond, file with the FSC for a permit certificate within 15 days after receiving the company license. For those who fail to file with the FSC within the deadline, the original permission shall be deemed void. However, the stock exchange, with legitimate reasons, may apply to the FSC for an extension.

Article 17

A company type stock exchange shall be governed mutatis mutandis by the

provisions of Article 7 and Article 10 of these Regulations.

Chapter III Management and Supervision

Section I Financial and Business Matters

Article 18

A stock exchange, approved by the FSC and registered in accordance with applicable laws, shall deposit an operation bond with the National Treasury.

The amount of the operation bond in the preceding paragraph shall be 5 percent of the total amount of membership contribution or 5 percent of the company's paid-in capital.

Article 19

A stock exchange shall, in accordance with the provision of Article 154 of the Act, make a one-time deposit as a compensation reserve fund in the amount of NT\$50 million and shall, within 15 days after the end of each quarter, continue to deposit 20 percent of the income of securities transaction charges to that fund, provided that this requirement shall no longer apply once the amount deposited in the compensation reserve fund equals or exceeds the authorized capital amount .

Article 20

The compensation reserve of the preceding article lodged by a stock exchange shall be deposited in a special account and shall not be used in a manner other than those specified below without the approval of the FSC:

1. Government bonds.
2. Bank savings or postal administration savings.

Article 21

A stock exchange shall draft its annual business plan and submit it to the FSC for ratification 3 months before the beginning of the next fiscal year, and shall draft an annual budget and submit it to the FSC for ratification 2 months before the beginning of the next fiscal year, and shall do the same for any amendments to the business plan and budget; it shall prepare a quarterly report on the implementation of the annual business plan and budget up to that quarter and file it with the FSC for recordation within 15 days after the end of each quarter.

A stock exchange shall operate in accordance with the annual business plan and budget ratified by the FSC, and shall submit the performance evaluation and assessment methods adopted for its departments and personnel, and any subsequent amendments thereto, to the FSC for ratification.

Article 22

A stock exchange shall establish a monitoring system with respect to the centralized securities exchange market, and file rules regarding the system with the FSC for approval, and execute said rules in a thorough manner.

In order to engage in the monitoring of the market as referred to in the preceding paragraph, the stock exchange may, when deemed necessary, investigate and review relevant materials with its members, securities brokers, securities dealers and listed companies or request them to provide explanations: Its members, securities brokers, securities dealers and listed companies shall not refuse any such investigations.

Article 23

A stock exchange shall pay attention to the monitoring of the operations of finance and business and internal auditing for its members, securities

brokers and securities dealers. In case any violation of laws or inappropriate matters is found, a stock exchange shall take proper actions immediately and notify the FSC.

In the event that a stock exchange learns, when engaging in the monitoring described in the preceding paragraph, that there are situations of losses caused by mismanagement or losses resulting in deterioration of credit or sudden events, or material defects in the internal auditing operations for its members, securities brokers or securities dealers, the stock exchange shall conduct a special investigation and give proper assistance.

A stock exchange shall conduct a special investigation in case that any of the members, securities brokers and securities dealers fail to fulfill the delivery obligation and shall guide the successor securities firm to take over its settlement affairs.

Handling procedures and rules of the preceding two paragraphs shall be jointly promulgated by the stock exchange and securities dealers association and filed with the FSC for review and recordation.

Article 23-1

A stock exchange shall, at its business premises, provide the FSC for its inquiry with all papers, accounting books, lists, records, contracts and relevant examining and proving documents regarding the listing, transaction, monitoring, clearing, settlement and the auditing of the finance and business of a securities firm.

Except otherwise prescribed in the Commercial Accounting Act and in relevant regulations, a stock exchange shall set out the duration for preservation of the certificates, receipts, accounting books, lists, records, contracts and relevant examining and proving documents and report to the FSC for recordation.

Article 24

A stock exchange shall, at designated locations, provide the public with information regarding the finance and business of each listed company, and of its members, securities brokers or securities dealers.

Article 25

A stock exchange shall set out custodial rules with regard to payments and securities held in custody, and file said rules with the FSC for review and recordation.

Article 26

A stock exchange shall, according to the regulations set by the FSC concerning the time limit and the method to be used, disclose information regarding the names, codes, volumes, prices of securities sold everyday and codes of securities dealers of both buyers and sellers.

Article 27

A stock exchange shall establish a stock price list on a daily basis which contains the following and discloses such for public notice:

1. Names of securities sold.
2. The opening price, the highest price, the lowest price, the closing price; the reported price for those having reported prices but transactions not completed.
3. Fluctuation by comparing the closing price with that of the preceding business day.
4. The separate calculation and total summation of the transaction volume

and transaction value.

5. The stock price index.

Article 28

A stock exchange shall establish daily, monthly and yearly reports with regard to transactions completed in the centralized securities exchange market at the end of every day, month and year.

Article 29

A stock exchange shall file with the FSC for review and recordation whenever there is amendment to its articles of incorporation or other bylaws.

Article 30

Within 2 months after the end of each semi-annual fiscal year and within 3 months after the end of each fiscal year, a company type stock exchange shall report to the FSC the business reports and the financial reports which are certified by a certified public accountant, approved by the board of directors and recognized by the supervisors.

A company type stock exchange shall file with the FSC the monthly accounting statement of the preceding month before the tenth day of each month.

Article 31

Aside from preparing expense and income and expenditure statement in substitution for the statement of comprehensive income and the statement of changes in equity, the financial reports of a membership type stock exchange shall be governed mutatis mutandis by the preceding article.

Article 32

A company-type stock exchange shall allocate a special reserve from its after tax profit.

The percentage to be set aside as a special reserve each year as referred to in the preceding paragraph shall not exceed 80 percent, and shall be designated by the FSC depending on profitability.

The special reserve as referred to in paragraph 1 shall not be used for purposes other than to cover company losses or those filed with and approved by the FSC.

Article 32-1

A stock exchange shall set up a handling procedure for acquiring or disposing of real estate and equipment and file such with the FSC for approval. The same also applies to the amendment thereof.

In the occasion of acquiring or disposing of real estate and equipment, a stock exchange shall follow the handling procedure described in the preceding paragraph if the amount of each transaction exceeds NT\$50 million. This shall also apply to the occasion that the stock exchange engages in the transactions with the same counter-party for several times in a year and the aggregate transaction amount exceeds NT\$50 million.

In case of acquiring or disposing of real estate and equipment, a stock exchange shall report the following matters to the FSC with relevant documentation within 2 days after the resolution of the meeting of board of directors:

1. The name and nature of the object.
2. The location and area of the real estate and the appraising result conducted by a professional appraisal body.

3. The counter-party of the transaction; relationship to each other if the counter-party is a related one.
4. Owner in the previous transfer and price of the transfer and date of registration.
5. The price or agreed price of this transaction.
6. Terms and conditions of delivery or payment.
7. Method of deciding this transaction (such as bidding, price comparison or price negotiation).
8. The broker and the brokerages fees.
9. Purpose or usage of the acquisition or disposition.

Article 33

A stock exchange shall report to the FSC in the event of the following matters:

1. The centralized securities exchange market has been closed for more than 1 business day as a result of the occurrence of sudden events of force majeure or the reopening after such events.
2. The responsible person or associated person of a stock exchange, its members, securities dealers and securities brokers has been involved in litigation or has been sentenced as a result of performing duties or has become bankrupt, or becomes the debtor in a compulsory enforcement proceeding, or the checks issued by the preceding person have been bounced by banks, or the banks have refused to deal with such person or such person shall be sanctioned by removing from office in accordance with the Act.
3. The joining or withdrawal of members .
4. The establishment, modification or termination of the contract of utilizing the centralized securities exchange market between securities dealers or brokers and the stock exchange.
5. The sanctions taken against members, securities dealers, and securities brokers in accordance with Article 110 or 133 of the Act except sanctions of expulsion and terminating the contract.
6. The use of the settlement and clearing fund deposited by securities firms in the stock exchange.
7. Resolutions of the meeting of board of directors.
8. Cooperation agreement or memorandum signed with foreign stock exchange, self-disciplinary organization or other institution.
9. Other matters designated by the FSC as matters which shall be reported to the FSC.

Article 34

In addition to handling appropriately, a stock exchange shall report the FSC the following matters:

1. The centralized securities exchange market temporarily ceases part of the transactions of the market or closes the market due to sudden events of force majeure.
2. Malfunctions or interruptions of the transaction system and the transaction information transmission system.
3. Members, securities brokers and securities dealers fail to settle in time or are unable to settle.
4. The confirmation and public handling status of the material information for listed companies.
5. The monitoring and handling status of the centralized securities

exchange market.

6. Where there is major impact to its financial or business situation due to matters of litigation, non-litigation, administrative sanction, administrative litigation, commercial arbitration or settlement.

7. Auditing result regarding the financial report of the securities firms and listed companies.

8. Reviewing condition of financial and business condition of members, securities brokers and securities dealers.

9. Other matters designated by the FSC which shall be reported to the FSC. In the event of any circumstance under subparagraphs 1 to 3 of the preceding paragraph, the stock exchange shall report to the FSC before the following day of the event. In the event of any circumstance under subparagraphs 4 to 6, the stock exchange shall report to the FSC within 5 days after the event takes place or after the handling finishes. And in the event of any circumstance under subparagraphs 7 and 8, the stock exchange shall report to the FSC the results of execution on a monthly basis.

Article 35

The business permits obtained by the stock exchange in accordance with the Act and these Regulations shall not be the object of any rights in any way.

Article 36

A stock exchange may request the securities dealers association to engage in any settlement proceedings before the arbitration with regard to any dispute regarding the centralized securities transaction between members or between securities firms.

Section II Organization and Personnel

Article 37

A stock exchange shall set up organization bylaws with regard to the organization, projected amount of its employees and job titles and shall file with the FSC for approval. This also applies on the occasion of amendments.

Article 38

A stock exchange shall set up personnel management regulations with regard to the hiring, remuneration, evaluation, reward and punishment, training, retirement, severance and compensation for the employees and shall file with the FSC for approval. This also applies on the occasion of amendments. A stock exchange shall remunerate its employees in accordance with the personnel management regulations described in the preceding paragraph and shall not provide any other remuneration.

Article 39

The managers of a stock exchange shall not have any conditions specified in Article 53 of the Act and shall have one of the following qualifications:

1. Have a master's degree or above and have worked in a management position(s) of a securities or financial institution(s) or of the business department of a state-run or private-owned business(es), or worked as a lecturer or above in a college(s) or above for 1 year or more.
2. Graduate of a college or above and have worked in a management position(s) in a securities or financial institution(s) or in the business department of a state-run or private-owned business(s) for 3 years or more.
3. Have worked in a management position of a securities or financial institution(s) or in the business department of a state-run or private-

owned business(s) for 5 years or more.

Managers as referred to in the first paragraph include presidents, vice presidents, assistant vice presidents and directors and deputy directors of each business department.

Article 40

The managerial associated persons employed by a stock exchange shall not have any conditions specified in Article 54 of the Act and shall have one of the following qualifications:

1. Graduate of a college or above or passed the advanced examination or the equivalent special examination, and have worked in the business department of a securities or financial institution or in the financial or stock affairs department of a listed company for 3 years or more.
2. Have worked in the business department of a securities or financial institution(s) or in the financial or stock affairs department of a listed company(ies) for 5 years or more.
3. Qualified as a securities investment analyst.
4. Have been registered as a senior associated person of a securities firm or received the certificate of passing the test for the senior associated person of a securities firm issued by the FSC.
5. Have passed the test for the senior associated person of a securities firm held by the ROC Securities and Futures Institute (SFI) which is mandated by the ROC Securities Dealers Association (SDA).

Article 41

The non-managerial associated persons shall not have any conditions specified in Article 54 of the Act and shall have one of the following qualifications:

1. Graduate of college or above.
2. Certified with the ordinary examination or the special examination equivalent to the ordinary examination or above.
3. Have worked in the business department of a securities or financial institution(s) or in the financial or stock affairs department(s) of a listed company for 3 years or more.
4. Have been registered as an associated person of a securities firm or received the certificate of passing the test for the associated person of a securities firm issued by the FSC.
5. Have passed the test for the associated person of a securities firm held by SFI which is mandated by SDA.

Article 42

The assistant associated persons shall not have any conditions specified in Article 54 of the Act and shall have one of the following qualifications:

1. Graduate of high school or above.
2. Have passed the special examination which is lower than the ordinary examination.

Article 43

A stock exchange shall report to the FSC for review and recordation within 5 days after the change of the directors, supervisors and managers of the stock exchange.

Article 44

A stock exchange shall prepare a list regarding the change of the associated persons and report to the FSC on a monthly basis.

Article 45

The managers and associated persons of a stock exchange shall not in any way assume any part-time post or honorary post of a listed company or a securities firm.

Article 45-1

In the event that the managers and associated persons of a stock exchange are delinquent or fail to perform their duties thoroughly, the stock exchange employing them shall have them discharged or sanctioned appropriately.

Article 46

Managers and associated persons shall not engage in the following conducts:

1. Directly or indirectly engaging in buying and selling listed securities with the information learned from their performance of duty.
2. In response to an inquiry not made pursuant to the laws and regulations, and revealing confidential information learned from their performance of duty.
3. Being a creditor or debtor in a monetary or securities loan with business related persons.
4. Demanding, agreeing to accept or accepting improper benefits for an official act or for a breach of one's official duties.
5. Not withdrawing in the event that the performance of duty involves conflict of interest.
6. When engaging in the listing, transaction, settlement, clearing or custody of securities, there being any fraud, deception or any misleading conducts.
7. Any other conduct which is against the securities laws and regulations or the rules of the FSC.

The directors, supervisors, members of each committee or persons of the equivalent level of a stock exchange shall not engage in the conducts as referred to in subparagraphs 1 to 5 and subparagraph 7 of the preceding paragraph.

Article 47

When engaging in the business activity in the business premises of a stock exchange or in the centralized securities exchange market, the associated person of a stock exchange shall wear the regulated uniform and shall be wearing the identification card issued by the stock exchange. Only registered stock exchange associated persons may engage in the business as referred to in Article 3.

Chapter IV Supplementary Provisions

Article 48

In addition that a stock exchange or the directors, supervisors members of each committee, or persons of the equivalent level and managers and associated persons of a stock exchange who have violated these Regulations shall be punished in accordance with the Act, the FSC may additionally sanction or may otherwise notify the stock exchange to punish such persons if the violation is sufficient to interfere with the normal operation of business, and such violation is of a serious nature.

Article 49

These Regulations shall come into force from the date of issuance, except for Articles 30, 31, and 32-1, which shall enter into force from fiscal

2013.

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System