


Content

Title :	Regulations Governing Centralized Securities Depository Enterprises 
Date :	2012.08.14
Legislative :	<p>2. Amended on December 27, 2000 per Executive Yuan Order (89)-Taiwan-Finance- 35755</p> <p>3. Full text of 30 Articles amended and issued 24 January 2006 per Order No. Financial-Supervisory-Securities-IV-0950100637 of the Financial Supervisory Commission, Executive Yuan; for implementation from date of issuance</p> <p>4. Articles 9, 10, 17, 19, and 21 amended and issued 14 June 2006 per Order No. Financial-Supervisory-Securities-IV-0950002777 of the Financial Supervisory Commission, Executive Yuan</p> <p>5. Article 20 amended and issued per 4 January 2012 Order No. Financial-Supervisory-Securities-SITC-1000064257 of the Financial Supervisory Commission, Executive Yuan</p> <p>6. Articles 3, 4, and 18 amended and issued per 14 August 2012 Order No. Financial-Supervisory-Securities-SITC-1010036110 of the Financial Supervisory Commission</p>
Content :	<p>Article 1</p> <p>These Regulations have been promulgated pursuant to Article 18, paragraph 2 of the Securities and Exchange Act ("the Act").</p> <p>Article 2</p> <p>The term "centralized securities depository enterprise" (hereinafter, "CSDE") under these Regulations means an enterprise engaged in the business of providing securities custody, book-entry transfer, and registration of book-entry securities.</p> <p>The term "participant" under these Regulations means a person opening an account with the CSDE for deposit of securities and book-entry settlement.</p> <p>Article 3</p> <p>The engagement in the business of a CSDE shall be subject to the approval of the Financial Supervisory Commission (FSC).</p> <p>Only one CSDE shall be established for each stock exchange.</p> <p>Article 4</p> <p>A CSDE shall be incorporated as a company limited by shares, and shall have at least NT\$500 million in paid-in capital. All shares shall be fully subscribed by the promoters.</p> <p>Unless for public interest purposes and having been approved by the FSC, shares held by a single shareholder of a CSDE may not exceed 5 percent of the paid-in capital.</p> <p>A shareholder who, before the issuance of the 14 August 2012 amendment to these Regulations, already held more than 5 percent of the shares of the CSDE shall not be subject to the restrictions of the preceding paragraph, but may not further increase its shareholding, unless the increase is for public interest purposes and has been approved by the FSC.</p>

#### Article 5

A CSDE is engaged in the following businesses:

- 1.Custody of securities.
- 2.Book-entry services in connection with securities settlement and pledged securities delivery.
- 3.Computer processing service in connection with book-entry settlement of securities.
- 4.Service in connection with book-entry distribution of securities.
- 5.Registration of issuance of book-entry securities.
- 6.Other services as approved by the FSC.

#### Article 6

A CSDE approved by the FSC to merge with a short-term bills central depository and clearing house and to be the surviving entity may concurrently engage in short-term bills central depository and clearing business.

A CSDE referred to in the preceding paragraph that is approved to concurrently operate short-term bills central depository and clearing business shall comply with the relevant provisions of the Regulations Governing Issuance of Permits for and Regulation of Short-term Bills Central Depository and Clearing Houses when handling short-term bills central depository and clearing business.

A CSDE that concurrently operates short-term bills central depository and clearing business shall be named "depository and clearing corporation".

#### Article 7

In order to engage in the business of a CSDE, an application shall be filed with the FSC with the following documents:

- 1.Articles of incorporation.
- 2.Business plan.
- 3.A roster of promoters specifying names, addresses and capital contributions of the promoters.
- 4.Minutes of meeting of promoters.
- 5.Other documents as prescribed by the FSC.

The business plan as referred to in item 2 of the preceding paragraph shall contain the following:

- 1.Internal organization of the enterprise and matters relating to its internal accounting control.
- 2.Location where securities will be held in custody and facilities.
- 3.Planning of computer system in connection with custody and book-entry of securities.
- 4.Matters regarding control and storage procedures of securities deposits and withdrawals from the premises.
- 5.Other matters relating to business operations.

#### Article 8

Upon being legally registered, a CSDE shall file a business license application to the FSC with the following documents:

- 1.Documentary proof of company registration.
- 2.Articles of incorporation.

- 3.Shareholders list and a copy of the minutes of shareholders meeting.
- 4.A roster of directors, supervisors, and managerial officers, and a written statement declaring that situations specified in Article 53 of the Act do not apply to any of the aforesaid persons.
- 5.A copy of the minutes of the board of directors meeting.
- 6.A roster of associated persons, their credential certificates, and a written statement declaring that situations specified in Article 54 of the Act do not apply to any of the aforesaid persons.
- 7.Other documents as may be required by the FSC.

The approval of a CSDE which failed to apply for the business license with the FSC 6 months after its proper company registration may be canceled by the FSC; the enterprise may however, upon the showing of a good cause and prior to the deadline, apply with the FSC for an up to 6 months extension of the deadline; provided that such extension shall be granted for only once.

#### Article 9

Prior approval from the FSC is required before a CSDE may engage in any of the following acts:

- 1.Any changes in the articles of incorporation.
- 2.Suspension or resumption of business.
- 3.dissolution.
- 4.Assignment of all, or a material portion, of its assets, or receiving assignment of all, or a material portion, of the assets of others.
- 5.Establishment or closure of a branch office or other business places.
- 6.Reinvestment.
- 7.Change in the location where the securities are held in the custody.
- 8.Other matters as prescribed by the FSC as requiring approval.

#### Article 10

Reports shall be filed with the FSC should a CSDE encounter any of the following situations:

- 1.Opening and closure of accounts by participants with the CSDE.
- 2.Any resolution adopted at a directors or shareholders meeting.
- 3.Any change with regard to directors, supervisors, or managerial officers.
- 4.Any change in ownership of shares.
- 5.Any other matter of which the filing is required by the FSC.

For the situations under subparagraphs 1 and 2 of the preceding paragraph, the CSDE shall file the report with the FSC within 5 days from occurrence of the fact; for situations under subparagraphs 3 and 4, the CSDE shall compile them in status reports to be filed with the FSC on a monthly basis.

#### Article 11

A "participant" of a CSDE shall be confined to the following:

- 1.The Ministry of Finance.
- 2.Stock exchanges.
- 3.Over-the-counter securities exchange.
- 4.Securities firms.
- 5.Securities financing enterprises.
- 6.The custodian institution consigned for custody of securities investment

trust funds, fund for discretionary account consignment of investment, and funds and securities of overseas Chinese outside the territory of the Republic of China, foreign nationals, or qualified foreign investment institutions.

7. Dealers of the central government bonds.

8. Financial institutions.

9. Insurance companies.

10. Issuers of securities delivered through book-entry system.

11. Other entities as approved by the FSC.

#### Article 12

A CSDE may provide custodian services only to the following eligible securities:

1. Securities listed on a stock exchange.

2. Securities traded over the counter of a securities firm.

3. Other securities the custodian of which has been approved by the FSC.

#### Article 13

A CSDE shall draft fee schedules in connection with the business it engages in; such fee schedules shall be submitted to the FSC for approval. This also applies in the occasion of amendment.

#### Article 14

A CSDE shall establish its Rules of Operation in connection with the following matters and submit such rules to the FSC for approval. This also applies in the occasion of amendment.

1. Business hours and holidays.

2. Opening and closure of accounts.

3. Subjects to which the securities custody service will be provided and the method of custody.

4. Matters concerning account books of securities in the custody.

5. Matters concerning book-entry of securities in the custody.

6. Matters concerning pledge of securities in the custody.

7. Matters concerning distribution of securities through book-entry system.

8. Matters concerning transfer of securities in the custody.

9. Matters concerning delivery and withdrawal of securities in the custody.

10. Processing of matters relating to loss, defect, or destruction of securities in the custody.

11. Matters concerning the control of deposit and withdrawal of securities in the custody and its storage management.

12. Matters concerning registration of issuance of book-entry securities.

13. Other matters relating to custody and book-entry.

The business operation of a CSDE shall be conducted in accordance with the Rules of Operation as provided in the preceding paragraph.

#### Article 15

A CSDE shall in accordance with the FSC's requirement appropriate an indemnity reserve.

The indemnity reserve as referred to in the preceding paragraph shall be deposited and maintained in a special account, and the funds in the said

account shall not be utilized in any means other than those described below:

- 1.Bank deposit or postal saving deposit.
- 2.Purchase of government bonds and/or financial bonds.
- 3.Other utilization as approved by the FSC.

#### Article 16

The capital of CSDE shall not be loaned to any third party or utilized for any purposes other than designated ones. Except for justifiable operational purposes, the capital of CSDE shall not be utilized in any means other than those described below:

- 1.Bank deposit or postal saving deposit.
- 2.Purchase of treasury bills and/or negotiable certificates of time deposits.
- 3.Purchase of government bonds and/or financial bonds.
- 4.Other utilization as approved by the FSC.

#### Article 17

A CSDE shall allocate special reserve from the after-tax profit each year. The percentage of the special reserve allocated each year referred to in the preceding paragraph shall be designated by the FSC depending on profitability, with a ceiling of 80 percent.

The special reserve referred to in paragraph 1 shall not be used for purposes other than covering company losses, or purposes reported to and approved by the FSC.

#### Article 18

A CSDE shall prescribe procedure for acquisition or disposal of real property and equipment and submit such procedure to the FSC for approval. This also applies in the occasion of amendment.

#### Article 19

Three months prior to the beginning of the fiscal year, a CSDE shall draft its annual business plan and submit it to the FSC for approval; 2 months prior to the beginning of the fiscal year, a CSDE shall draft its budget and submit it to the FSC for approval. This also applies in the occasion of amendment. A CSDE shall, within 15 days after the end of each quarter, make reports with regard to the execution of business plans and budgets till said quarter and file with the FSC for review and recordation.

A CSDE shall execute the business plans and budgets of the year in accordance with those approved by the FSC, and propose a performance evaluation and assessment rule on its departments and personnel, and file with the FSC for approval. This also applies in the occasion of amendment.

#### Article 20

A CSDE shall, within 3 months of the end of each fiscal year and 2 months of the end of each semi-annual fiscal year, publicly announce and report to the FSC financial reports certified by a certified public accountant, approved by the board of directors, and recognized by the supervisor. In the event that the annual financial reports referred to in the preceding

paragraph shall be inconsistent with the annual financial reports accepted at the regular shareholders meeting, a report shall be filed with the FSC within 2 days of the occurrence of such inconsistency. The financial reports referred to in paragraph 1 shall be prepared in accordance with the requirements of the FSC.

#### Article 21

A CSDE shall maintain permanent records, at different locations, regarding registration of issuance of book-entry securities.

A CSDE shall maintain records on deposit/withdrawal and inventory of securities in the custody; such records shall be kept for at least 15 years. Monthly reports shall be filed with the FSC on the aggregate amount of securities deposited, withdrawn and the balance of inventory.

#### Article 22

A CSDE shall establish organizational rules governing matters including the setup of its internal units, number and title of employees, and submit such rules for the FSC's approval. This also applies in the occasion of amendment.

#### Article 23

A CSDE shall establish personnel management rules governing matters including recruitment, salary schedule, benefits program, evaluation of attendance, commendation and sanction, training and continuous education, retirement, severance, and pension of employees, and submit such rules to the FSC for approval. This also applies in the occasion of amendment.

#### Article 24

A CSDE shall file monthly reports with the FSC for record on the changes of its associated persons.

#### Article 25

A CSDE is prohibited from engaging in any of the following acts without the prior approval of the FSC:

1. Merger.
2. Disposition of all or principal portion of its business.
3. Providing guarantee, endorsing negotiable instruments, or providing assets as security for third parties.
4. Other matters as prescribed by the FSC.

#### Article 26

A CSDE shall provide roster of owners of securities and other information in accordance with the Law Governing Protection of Personal Data Processed by Computers, the Rules Governing Book-Entry Operations of Securities in Centralized Custody, and/or other relevant laws and regulations.

#### Article 27

No director, supervisor, or employee of a CSDE shall simultaneously hold in any form any position or honorary position of a participant. Such restriction shall not apply to a participant which by virtue of its

investment in the CSDE causes any of its directors, supervisors, or managerial officers to serve simultaneously as a director, supervisor or managerial officer of a CSDE.

#### Article 28

No director, supervisor, or employee of a CSDE shall engage in any of the following acts:

- 1.To trade securities directly or indirectly on information which the person learned from performing duties.
- 2.To disclose any confidential information which the person learned from performing duties.
- 3.To engage in any act which may be false, fraudulent, involving withholding of information or omission, or misleading to others while handling the book-entry, custody or registration of securities.
- 4.Any other acts in violation of laws and regulations.

#### Article 29

The FSC may, at any time, order a CSDE to submit financial and business reports and other reference materials or make a direct examination of the financial and business conditions of a CSDE.

#### Article 30

These Regulations shall become effective as of the date of promulgation.