

## Content

Title : Regulations Governing the Preparation of Financial Reports by Futures Clearing Houses [Ch](#)

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2. Full text of 28 articles amended and issued per 30 December 2005 Order No. Financial-Supervisory-Securities-VII-0940006182 of the Financial Supervisory Commission, Executive Yuan; for enforcement from 1 January 2006  
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Content : Chapter I General Principles

### Article 1

These Regulations are adopted under Article 97, paragraph 2 of the Futures Trading Act (the "Act").

### Article 2

The financial reports of a futures clearing house shall be prepared in accordance with these Regulations and other applicable laws and regulations. Matters not provided for therein shall be governed by generally accepted accounting principles (GAAP).

The GAAP described in the preceding paragraph shall mean the following, as recognized by the Financial Supervisory Commission (FSC) of the Executive Yuan: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

### Article 3

A futures clearing house shall establish an accounting system based on the nature of its accounting matters, the actual conditions and development of its business, and its management needs.

The accounting system referred to in the preceding paragraph shall separately provide the following items, based on the nature of the futures clearing house's business operations:

1. A general description of the accounting system.
2. A chart of journals and ledgers.
3. Accounting items, accounting documents, account books, and accounting reports.
4. Accounting procedures.

5. Other items required by the FSC.

#### Article 4

The appointment and discharge of the in-charge accountant of a futures clearing house shall be approved by a majority of the directors present at a board of directors meeting attended by a majority of the directors, and shall be reported to the FSC for approval or recordation within 5 days after appointment or change.

#### Article 5

A futures clearing house shall use the calendar year as its financial year, with accounts closed on June 30 for the first half of the financial year and on December 31 for the whole financial year.

The accrual basis of accounting shall be used.

Accounts shall be expressed in New Taiwan Dollars (NT\$).

The dollar amounts in the financial statements may be presented in thousands of NT dollars rounded to the nearest thousand.

#### Article 6

"Financial reports" shall mean financial statements, statements of major accounting items, and any other disclosures and explanatory information helpful to the decision making of users.

A complete set of financial statements shall comprise a balance sheet, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and their accompanying notes or supplementary schedules.

A futures clearing house, unless newly established, or under any of the circumstances set out in paragraph 4 herein, or otherwise required by the FSC, shall prepare the major financial statements and notes described in the preceding paragraph by presenting comparative information for two consecutive periods. The major financial statements shall also be signed or sealed on each page by the futures clearing house's responsible person, managerial officer, and in-charge accountant.

When a futures clearing house applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, it shall do so in accordance with paragraphs 10 and 39 of IAS 1.

#### Article 7

Financial reports shall be able to present fairly the financial position, financial performance, and cash flows of a futures clearing house without being misleading to an interested party in making judgments and decisions.

If a financial report violates these Regulations or any other applicable requirements, for which the FSC as a result of an audit gives a notice of adjustment, the futures clearing house shall make the required adjustment and correction. If the corrected amount of the post-tax profit or loss is NT\$10 million or more, and is also 1 percent or more of the originally stated net operating revenue after final accounting or 5 percent or more of paid-in capital, the financial report shall be restated and submitted to the FSC.

#### Article 8

The following shall apply when a futures clearing house makes an accounting change:

1. Change in accounting policy:

(1) When a futures clearing house changes an accounting policy voluntarily in a new financial year in order to produce financial reports that provide reliable and more relevant information about the effects of transactions or other events or conditions on the futures clearing house's financial position, financial performance, or cash flows, it shall request a certified public accountant (CPA) to provide an item-by-item analysis and review opinion on the reasonableness of the nature of the change in accounting policy, the reasons why applying the new accounting policy provides reliable and more relevant information, each line item affected and the estimated effect for the financial year preceding the earliest financial year affected by retrospective application of the new accounting policy, and the actual effect on the opening balance of retained earnings for the immediately preceding financial year. These shall be submitted as a proposal for adoption by resolution of the board of directors, after which they shall be submitted to the FSC for approval.

(2) If, for the voluntary change in accounting policy in the new financial year, it is impracticable to determine either the period-specific effects or the cumulative effect of the change, as described in paragraph 23 of IAS 8, the futures clearing house shall calculate the effects in accordance with paragraph 24 of IAS 8 and the preceding item above, and shall request a CPA to provide an item-by-item analysis and review opinion on the reasonableness of the reasons why retrospective application is impracticable and how and from when the change in accounting policy has been applied, and also provide an opinion on the impact on the audit opinion for the earliest financial year affected by the change in accounting policy for which an application is submitted to the FSC for approval. The futures clearing house shall then follow the procedure described above.

(3) Unless it is impracticable to determine the effects as described in the preceding item, then within 2 months after the beginning of the financial year in which the new accounting policy is adopted, the futures clearing house shall calculate the line items affected and the actual effects for the financial year preceding the earliest financial year affected by retrospective application of the new accounting policy and the actual effects on the opening balance of retained earnings for the immediately preceding financial year, and shall submit those for adoption by the board of directors, after which they shall be filed with the FSC for recordation. If the difference between the actual effects of the change in accounting policy and the effects originally filed with the FSC is NT\$10 million or more, and is also 1 percent or more of net operating revenues for the immediately preceding financial year, or 5 percent or more of paid-in capital, the futures clearing house shall analyze the reasons for the difference and request a CPA to provide an opinion on its reasonableness. The analysis and the CPA's opinion shall also be filed with the FSC.

(4) Except when applying a new accounting policy to newly purchased assets, in which case the provisions of the preceding items need not be applied, if a change in accounting policy is applied without having been duly filed for approval, the financial reports for the financial year in which the new accounting policy was applied shall be restated, and the new accounting policy may only be applied from the next financial year after a

supplementary filing has been made and approved.

2. Any matter among accounting estimates in relation to a change in the useful life or depreciation method of depreciable assets, a change in the amortization period or amortization method of intangible assets, or a change in the residual value of any such assets shall also be governed by the applicable provisions of items 1 and 4 of the preceding subparagraph.

#### Article 9

A futures clearing house shall prepare consolidated financial reports in accordance with Chapter II of these Regulations and IAS 27, and shall prepare annual parent company only financial reports in accordance with Chapter IV of these Regulations.

A futures clearing house that does not have a subsidiary shall prepare individual financial reports in accordance with Chapter II of these Regulations, and when preparing annual financial reports shall also prepare statements of major accounting items in accordance with Article 25 of these Regulations.

A futures clearing house preparing interim financial reports shall follow the provisions of Chapters II and III of these Regulations as well as IAS 34.

#### Article 10

The meaning of "parent," "subsidiary," and "associate" as used in these Regulations shall be determined in accordance with IAS 27 and IAS 28.

The meaning of "control," "significant influence," or "joint control" as used in these Regulations shall be determined in accordance with IAS 27, IAS 28, and IAS 31.

### Chapter II Financial Reports

#### Section I Balance Sheet

##### Article 11

Assets shall be properly classified. Current and non-current assets shall be distinguished.

For each asset line item, the total amount expected to be recovered within 12 months after the balance sheet date and the total amount expected to be recovered more than 12 months after the balance sheet date shall be separately presented in the financial statements or disclosed in the notes. As a minimum, the balance sheet shall include the following asset line items:

1. Current assets: A futures clearing house shall classify an asset as current when it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle; when it holds the asset primarily for the purpose of trading; when it expects to realize the asset within 12 months after the balance sheet date; or when the asset is cash or a cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date.

(1) Cash and cash equivalents: Cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

A futures clearing house shall disclose the components of cash and cash equivalents and the policy which it adopts in determining the composition

of cash and cash equivalents.

(2) Financial assets at fair value through profit or loss - current:

Financial assets that meet any of the following conditions:

(i) Financial assets held for trading.

(ii) Financial assets that, except for those designated as hedged items under hedge accounting requirements, are designated upon initial recognition as at fair value through profit or loss.

A financial instrument shall be classified as a financial asset held for trading if:

(i) It is acquired principally for the purpose of sale in the near term.

(i) It is, upon initial recognition, a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

(iii) It is a derivative financial asset, except for a derivative financial asset that is a financial guarantee contract or a designated and effective hedging instrument.

Financial assets at fair value through profit or loss shall be measured at fair value.

(3) Available-for-sale financial assets - current: Financial assets that are not derivative financial assets and that meet any of the following conditions:

(i). Financial assets that are designated as available-for-sale.

(ii). Financial assets that are not:

(a) Financial assets measured at fair value through profit or loss.

(b) Held-to-maturity financial assets.

(c) Financial assets measured at cost.

(d) Bond investments for which no active market exists.

(e) Receivables.

Available-for-sale financial assets shall be measured at fair value.

(4) Derivative financial assets for hedging - current: Any derivative financial asset that is a designated and effective hedging instrument under hedge accounting requirements. Any such asset shall be measured at fair value.

(5) Financial assets measured at cost - current: Financial assets that meet all of the following conditions:

(1) An investment in equity instruments that do not have a quoted price in an active market, or a derivative instrument that is linked to such equity instruments that do not have a quoted price in an active market and that shall be settled by delivery of such equity instruments.

(2) The fair value cannot be reliably measured.

(6) Bond investments for which no active market exists - current: Bond investments that do not have a quoted price in an active market and with fixed or determinable payments, and that meet all of the following conditions:

(1) Not classified as at fair value through profit or loss.

(2) Not designated as available-for-sale.

(3) There are no other reasons except for credit worsening that are likely to cause the holder to not be able to recover almost all of the original investments.

Bond investments for which no active market exists shall be measured at

amortized cost.

(7) Trade receivables: Claims resulting from principal business operations. Trade receivables shall be measured at amortized cost using the effective interest method. However, short-term trade receivables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial.

Trade receivables from related parties in significant amounts shall be presented separately.

At each balance sheet date an assessment shall be made of whether there is any uncollectible amount from trade receivables and an appropriate allowance for doubtful debts shall be made and presented as a deduction from trade receivables.

(8) Other receivables: Receivables other than trade receivables.

At each balance sheet date an assessment shall be made of whether there is any unrecoverable amount from other receivables and an appropriate allowance for doubtful debts shall be made and presented as a deduction from other receivables.

(9) Current tax assets: The portion of the tax amount already paid in respect of current and prior periods that exceeds the amount due for those periods.

(10) Prepayments: All prepayments and prepaid expenses.

(11) Clearing margins: Clearing margins collected from futures clearing members in accordance with the Act.

A note shall be added stating whether the collateral deposited for clearing margins is cash or FSC-approved securities.

(12) Non-current assets held for sale: Any non-current asset, or asset included in a disposal group held for sale, that is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups, and whose sale must be highly probable.

The measurement, presentation, and disclosure of non-current assets held for sale and disposal groups held for sale shall be made in accordance with IFRS 5.

(13) Other current assets: Current assets not attributable to any of the classes above.

2. Non-current assets: Tangible, intangible and financial assets of a long-term nature, other than assets classified as current.

(1) Held-to-maturity financial assets - non-current: A non-derivative financial asset with fixed or determinable payments and fixed maturity, and which a futures clearing house has the positive intention and ability to hold to maturity, excluding the following items:

(i) It is designated, upon initial recognition, as at fair value through profit or loss.

(ii) It is designated as available-for-sale.

(iii) It meets the definition of loans and receivables.

Held-to-maturity financial assets shall be measured at amortized cost.

(2) Investments accounted for using the equity method: An interest in an associate where the investment in the associate has been approved by the FSC, or an interest in a jointly controlled entity not recognized by the venturer using proportionate consolidation.

The valuation and presentation of investments accounted for using the equity method shall be made in accordance with IAS 28.

When investment gain or loss is recognized, if the financial reports prepared by an associate do not conform to these Regulations, those financial reports shall first be adjusted to achieve conformance before they may be used to recognize investment gain or loss. The financial reports of an associate used in applying the equity method shall be prepared as of the same date as that of the futures clearing house, and if prepared as of a different date, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the futures clearing house's financial reports. In no case shall there be more than 3 months difference between the balance sheet date of the associate and that of the futures clearing house. If a CPA determines, pursuant to Statement of Auditing Standards No. 24, that an associate has a material effect on the fair presentation of the financial reports of an futures clearing house, the financial reports of the associate shall be audited by a CPA in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards.

If an investment accounted for using the equity method is pledged as collateral or otherwise subject to any restriction or limitation, that fact shall be noted.

(3) Property and equipment: Tangible asset items that are held for use in the supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than 1 financial year.

Property and equipment shall be subsequently measured using the cost model and accounted for in accordance with IAS 16.

Each component of property and equipment that is significant shall be depreciated separately.

When items of property and equipment have different useful lives, or provide economic benefits in different ways, or are subject to different depreciation methods or depreciation rates, the notes shall show each class of their material components.

(4) Investment property: Property held, by the owner or by the lessee under a finance lease, to earn rentals, or for capital appreciation, or both.

Investment property shall be subsequently measured using the cost model and accounted for in accordance with IAS 40.

(5) Intangible assets: An identifiable non-monetary asset without physical substance that meets the definition of identifiability, control by an entity, and existence of future economic benefits.

Intangible assets shall be subsequently measured using the cost model and accounted for in accordance with IAS 38.

(6) Deferred tax assets: The amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits.

(7) Compensation reserve fund: The compensation reserves set aside as a lump sum, and then as 20 percent of revenues from clearing and settlement fees received during each quarter, in accordance with the Act and the Regulations Governing Futures Clearing Houses.

The compensation reserve fund shall be deposited in a segregated account at a bank designated by the FSC.

(8) Settlement and clearing debit items: Settlement and clearing funds collected from futures clearing members and the interest revenue and relevant fees arising from these funds.

In preparing the balance sheet, settlement and clearing debit items shall be presented as a net balance after offsetting against settlement and clearing credit items, provided that their nature, content, utilization, and pledge status shall be indicated in the notes to the financial reports and the details shall be disclosed in the statements of related accounting items.

(9) Other non-current assets: Non-current assets not attributable to any of the classes above.

The items described in the preceding paragraph in relation to financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets measured at cost, bond investment for which no active market exists, held-to-maturity financial assets, trade receivables, and other receivables shall be accounted for in accordance with IFRS 9 and IAS 39.

A futures clearing house shall assess at each balance sheet date whether there is any objective evidence of impairment for the items described in paragraph 3 in relation to available-for-sale financial assets, financial assets measured at cost, bond investment for which no active market exists, held-to-maturity financial assets, trade receivables, other receivables, investments accounted for using the equity method, property and equipment, investment property, and intangible assets. If any such evidence exists, the futures clearing house shall recognize the amount of any impairment loss in accordance with IAS 39 and IAS 36.

The items described in paragraph 3 in relation to financial assets at fair value through profit or loss, derivative financial assets for hedging, available-for-sale financial assets, financial assets measured at cost, bond investment for which no active market exists, and held-to-maturity financial assets shall be distinguished as current and non-current based on liquidity.

#### Article 12

Liabilities shall be properly classified. Current and non-current liabilities shall be distinguished.

For each liability line item, the total amount expected to be settled within 12 months after the balance sheet date and the total amount expected to be settled more than 12 months after the balance sheet date shall be separately presented in the financial statements or disclosed in the notes. As a minimum, the balance sheet shall include the following liability line items:

1. Current liabilities: An futures clearing house shall classify a liability as current when it expects to settle the liability in its normal operating cycle; when it holds the liability primarily for the purpose of trading; when it expects to settle the liability when due within 12 months after the balance sheet date, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for issue; or

when it does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(1) Short-term borrowings: Includes short-term borrowings from banks, overdrafts, and other short-term borrowings.

For short-term borrowing, the nature of the borrowing, the name of the lending bank, the interest rate range, the maturity date, and the guarantee status shall be noted based on the type of borrowing. If collateral is provided, the name and carrying amount of the collateral shall be stated. Borrowings from financial institutions, shareholders, employees, related parties, and other individuals or institutions shall be separately noted.

(2) Short-term bills payable: Short-term bills issued through financial institutions to acquire funds from the money market, including commercial paper payable and bankers' acceptances.

Short-term bills payable shall be measured at amortized cost using the effective interest method. However, short-term bills payable with no stated interest rate may be measured at the original face amount if the effect of discounting is immaterial.

For short-term bills payable, the guarantor or accepting institution and the interest rate shall be noted. If collateral is provided, the name and carrying amount of the collateral shall be noted.

(3) Financial liabilities at fair value through profit or loss - current: Financial liabilities that meet either of the following conditions:

(i) Financial liabilities held for trading.

(ii) Financial liabilities that, except for those designated as hedged items under hedge accounting requirements, are designated upon initial recognition as at fair value through profit or loss.

A financial instrument shall be classified as a financial liability held for trading if:

(i) it is incurred principally for the purpose of repurchasing it in the near term;

(ii) it is, upon initial recognition, a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative financial liability, except for a financial guarantee contract or a derivative financial liability that is a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss shall be measured at fair value.

(4) Derivative financial liabilities for hedging - current: A derivative financial liability that is a designated and effective hedging instrument under hedge accounting requirements. Any such liability shall be measured at fair value.

(5) Financial liabilities measured at cost - current: derivative instrument liabilities that are linked to such equity instruments that do not have a quoted price in an active market and that shall be settled by delivery of such equity instruments, and the fair value cannot be reliably measured.

(6) Trade payables: Payables resulting from principal business operations. Trade payables shall be measured at amortized cost using the effective interest method. However, short-term trade payables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial.

Trade payables arising from operating activities shall be presented separately from other payables arising from non-operating activities. Payables to related parties in significant amounts shall be presented separately.

If collateral has been provided for trade payables, the name and carrying amount of the collateral shall be noted.

(7) Other payables: Payables other than trade payables, such as tax payable, accrued payroll, and dividends payable.

For dividends and bonuses payable passed by resolution of the shareholders meeting, the distribution method and scheduled payment date, if determined, shall be disclosed.

(8) Current tax liabilities: Unpaid tax for current and prior periods.

(9) Provisions - current: Any liability of uncertain timing or amount.

Provisions shall be accounted for in accordance with IAS 37.

A provision shall be recognized when a futures clearing house has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A futures clearing house shall disaggregate provisions into provisions for employee benefits and other items in the notes.

(10) Futures traders' equity: A contra item to the "clearing margins" on the assets side.

(11) Liabilities directly associated with non-current assets held for sale: Any liability included in a disposal group held for sale that is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups, and whose sale must be highly probable.

(12) Other current liabilities: Current liabilities not attributable to any of the classes above.

2. Non-current liabilities: Liabilities other than current liabilities.

(1) Bonds payable (including overseas bonds): Bonds issued by a futures clearing house.

For issued bonds, the total approved amount, interest rate, maturity date, name of collateral, carrying amount, issuing area, and other relevant terms and restrictions shall be noted in the notes to the financial reports. If the bonds are convertible bonds, the method of conversion and amounts already converted shall also be noted.

Premiums and discounts on bonds payable are valuations of bonds payable. They shall be presented as an addition to or deduction from bonds payable, and shall also be amortized, as an adjustment to interest expenses, using the effective interest method during the period of bond circulation.

(2) Long-term borrowings: Includes long-term borrowings from banks and other long-term borrowings or borrowings repaid in installments. For long-term borrowings, the content, maturity date, interest rate, name of

collateral, carrying amount, and any other important restriction terms shall be noted.

For a long-term borrowing repaid in a foreign currency or in an amount translated at a foreign exchange rate, the name and amount of such foreign currency shall be noted.

Long-term borrowings from shareholders, employees, and related parties shall be noted separately.

Long-term payables shall be measured at amortized cost using the effective interest method.

(3) Deferred tax liabilities: The amounts of income taxes payable in future periods in respect of taxable temporary differences.

(4) Settlement and clearing credit items: A contra item to the "settlement and clearing debit items" on the assets side. In preparing the balance sheet, settlement and clearing credit items shall be presented as a net balance after offsetting against settlement and clearing debit items, provided that their nature, content, utilization, and pledge status shall be indicated in the notes to the financial reports and the details be disclosed in the statements of related accounting items.

(5) Other non-current liabilities: Non-current liabilities not attributable to any of the classes above.

The items described in the preceding paragraph in relation to financial liabilities at fair value through profit or loss, financial liabilities measured at cost, trade payables, and other payables shall be accounted for in accordance with IAS 39.

The financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging, financial liabilities measured at cost, and provisions described in paragraph 3 shall be distinguished as current and non-current based on liquidity.

### Article 13

Equity items, their components, and information to be disclosed in the balance sheet are as follows:

1. Equity attributable to owners of the parent:

(1) Share capital: Capital contributed by shareholders to a futures clearing house and registered with the competent authority in charge of company registration, but excluding preferred shares in the nature of liabilities.

For share capital, the classes, par value per share, the number of shares authorized, the number of shares issued and fully paid, a reconciliation of the number of shares outstanding at the beginning and at the end of the period, the rights, preferences and restrictions attaching to each class of share capital, shares in the futures clearing house held by the futures clearing house or by its subsidiaries or associates, shares reserved for issue (or for transfer or conversion) under options and contracts for the sale of shares, and special conditions shall be disclosed in the notes.

If convertible preferred shares or overseas depository receipts are issued, the issuing area, issuance and conversion methods, converted amount, and special conditions shall be disclosed.

(2) Capital surplus: Means the equity components of financial instruments issued by a futures clearing house or premiums resulting from share capital transactions between a futures clearing house and its owners, and typically

includes premium in excess of the par value of the shares issued, donated surplus, and others arising as a result of regulatory provisions associated with these Regulations.

Capital surpluses shall be presented separately according to their nature or by institution; if there is any restriction on their use, the restriction shall be disclosed in the notes.

(3) Retained earnings (or accumulated deficit): Equity resulting from operating activities, including legal reserves, special reserves, and undistributed earnings (or deficit to be offset).

(i) Legal reserve: A fixed-percentage reserve appropriated as required by the Company Act.

(ii) Special reserve: A reserve appropriated from earnings in accordance with the requirements of applicable laws and regulations, contracts, or articles of incorporation, or as resolved at shareholders meetings.

(iii) Undistributed earnings (or deficit to be offset): Undistributed and unappropriated earnings ("deficit to be offset" is deficit not yet offset).

(iv) An earnings distribution or offsetting of deficit shall not be accounted for unless and until approved by a shareholders meeting. However, when an earnings distribution or offsetting of deficit has been proposed, such shall be disclosed in the notes to the financial reports for the current period.

(4) Other equity: Includes the accumulated balances of exchange differences resulting from translating the financial statements of a foreign operation, of unrealized gains or losses from available-for-sale financial assets, and of the effective portion of gains and losses on hedging instruments in a cash flow hedge.

(5) Treasury shares: Treasury shares shall be accounted for using the cost method and presented as a deduction from equity. The number of shares shall be noted.

2. Non-controlling interest: The equity in a subsidiary not attributable, directly or indirectly, to a parent.

## Section II Statement of Comprehensive Income

### Article 14

A futures clearing house shall present all items of income and expense recognized in a period in a single statement of comprehensive income displaying components of profit or loss and components of other comprehensive income.

A futures clearing house shall present expenses recognized in profit or loss under the preceding paragraph using a classification based on their nature.

When items of income or expense are material, a futures clearing house shall disclose their nature and amount separately in the financial statements or in the notes.

As a minimum, the statement of comprehensive income shall include the following line items:

1. Revenue:

(1) Operating revenue:

(i) Clearing member registration fee revenue: Revenues, recognized on a yearly basis, that arise from clearing member registration fees paid to a futures clearing house by those becoming futures clearing members.

- (ii) Clearing member annual license fee revenue: Clearing member annual license fees paid on a yearly basis by futures clearing members to a futures clearing house.
- (iii) Clearing fee revenue: Clearing fees paid on a monthly basis by futures clearing members to a futures clearing house based on the number of contracts traded.
- (iv) Settlement fee revenue: Settlement fees paid on a monthly basis by futures clearing members to a futures clearing house based on the number of contracts settled.
- (v) Position adjustment fee revenue: Position adjustment fees paid to a futures clearing house on a monthly basis by futures commission merchants requesting a position adjustment for the purpose of adjusting an out-trade, and based on the number of contracts involved in position adjustment.
- (vi) Position transfer fee revenue: Position transfer fees paid to a futures clearing house on a monthly basis by futures clearing members requesting to make a position transfer or on which a compulsory position transfer is made, and based on the number of contracts involved in position transfer.
- (vii) Other operating revenue: Operating revenues not attributable to any of the items above.

(2) Other revenue: Includes revenue arising from the use by others of assets of a futures clearing house yielding interest and dividends.

The recognition and measurement of revenue shall be made in accordance with IAS 18.

- 2. Operating expense: The expenses to be borne as a result of operating activities in the period, including employee benefits expense, depreciation and amortization expense, and other operating expense.
- 3. Finance costs: Include interest expenditures incurred in relation to operating activities and for all classes of liabilities, with the portion eligible for capitalization being deducted.
- 4. Share of the profit or loss of associates and joint ventures accounted for using the equity method: The profit or loss of associates and jointly controlled entities that a futures clearing house recognizes using the equity method according to its share in the associates and jointly controlled entities.
- 5. Tax expense (benefit): The aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.
- 6. Profit or loss of discontinued operations: The post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

The presentation and disclosure of profit or loss of discontinued operations shall be made in accordance with IFRS 5.

- 7. Profit or loss for the period: Earnings or deficit in the current reporting period.
- 8. Other comprehensive income: Each component of other comprehensive income classified by nature, including exchange differences resulting from translating the financial statements of a foreign operation, unrealized valuation gains and losses from available-for-sale financial assets, the

effective portion of gains and losses on hedging instruments in a cash flow hedge, and actuarial gains and losses on defined benefit plans.

9. Share of the other comprehensive income of associates accounted for using the equity method.

10. Total comprehensive income.

11. Allocations of profit or loss for the period attributable to non-controlling interest and owners of the parent.

12. Allocations of total comprehensive income for the period attributable to non-controlling interest and owners of the parent.

13. Basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity.

The calculation and presentation of earnings per share shall be made in accordance with IAS 33.

### Section III Statement of Changes in Equity

#### Article 15

As a minimum, the statement of changes in equity shall include the following:

1. total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interest;

2. for each component of equity, the effects of retrospective application or retrospective restatement recognized in accordance with IAS 8; and

3. for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(1) net profit (or net loss) for the period;

(2) other comprehensive income; and

(3) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

A futures clearing house shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognized as distributions to owners during the period, and the related amount per share.

### Section IV Statement of Cash Flows

#### Article 16

A statement of cash flows provides users of financial statements with a basis to assess the ability of the futures clearing house to generate cash and cash equivalents and the needs of the futures clearing house to utilize those cash flows. Namely, it presents, through inflows and outflows of cash and cash equivalents, a summary report on the operating, investing and financing activities of the futures clearing house during the period. The presentation and disclosure of cash flow information shall be made in accordance with IAS 7.

### Section V Notes

#### Article 17

To meet the objective of presenting full and complete information about the

financial position, financial performance, and cash flows of a futures clearing house, financial reports shall contain explanatory notes disclosing the following:

1. History and scope of business operations of the futures clearing house.
2. A statement that the financial reports comply with these Regulations, applicable laws and regulations (giving the title of the laws or regulations), as well as IFRS, IAS, IFRIC Interpretations, and SIC Interpretations.
3. The date when the financial reports were authorized for issue and the process involved in authorizing the financial reports for issue.
4. The effect or impact that may arise when it has or has not applied a new or revised IFRS, IAS, IFRIC Interpretation, or SIC Interpretation recognized by the FSC.
5. A summary of significant accounting policies used that are relevant to an understanding of the financial reports, and the measurement basis (or bases) used in preparing the financial statements.
6. Significant accounting judgments, estimations, and assumptions, as well as information about the assumptions it makes and other major sources of estimation uncertainty.
7. Objectives, policies and processes for managing capital, and any change in capital structure, including funding, liability, and equity.
8. If for a special reason there is a change in accounting treatment, thus affecting the comparison of financial data between two successive periods, the reason for the change and its effect on the financial reports shall be noted.
9. If it is necessary to provide the basis of valuation for any amount, financial instrument, or other item presented in the financial reports, the basis of valuation shall be noted.
10. If any item presented in the financial reports is subject to any legal, regulatory, contractual, or other restriction, the circumstances and timing of the restriction and other related information shall be noted.
11. Criteria for classifying assets and liabilities into current and non-current.
12. Material contingent liabilities and unrecognized contractual commitments
13. Financial risk management objectives and policies.
14. Long-term and short-term borrowings.
15. The addition, expansion, construction, lease, obsolescence, idling, sale, transfer, or long-term renting of major assets.
16. Principal investments in other enterprises.
17. Significant transactions with related parties.
18. Losses due to major disasters.
19. Major litigation pending or concluded.
20. The signing, completion, voidance, or lapse of major contracts.
21. Major organizational adjustments and significant management reforms.
22. Information about employee benefits.
23. Any research and development project funded by another party and the amount.
24. Information about investments in derivative instruments.
25. When subsidiaries hold shares in the parent, the names of the

subsidiaries and the shareholdings, amounts, and reasons shall be separately presented.

26. In the case of private placement of securities, the type, issue date, and amount shall be disclosed.

27. Material effects of changes in government laws and regulations.

28. Material effects of discontinuance of operations.

29. Supporting information for items presented in the balance sheet and in the statements of comprehensive income, of changes in equity and of cash flows, or other necessary descriptions essential for avoiding misunderstanding by users or for the fair presentation of the financial reports.

#### Article 18

Financial reports shall include explanatory notes on the following subsequent events that occur between the balance sheet date and the date when the financial reports are authorized for issue:

1. Change in capital structure.

2. Large long-term or short-term borrowings.

3. The addition, expansion, construction, lease, obsolescence, idling, sale, pledge, transfer, or long-term renting of major assets.

4. Principal investments in other enterprises.

5. Losses due to major disasters.

6. Major litigation pending or concluded.

7. The signing, completion, voidance, or lapse of major contracts.

8. Major organizational adjustments and significant management reforms.

9. Material effects of changes in government laws and regulations.

10. Other major events or measures capable of affecting future financial position, financial performance, and cash flows.

#### Article 19

A futures clearing house shall separately disclose in the notes to the financial reports information on the following events between the futures clearing house and its subsidiaries during the current period, and on parent-subsidiary transactions:

1. Information on significant transactions:

(1) Lending funds to others.

(2) Providing endorsements or guarantees for others.

(3) Holding of securities at the end of the period.

(4) Aggregate purchases or sales of the same securities reaching NT\$100 million or 20 percent of paid-in capital or more.

(5) Acquisition of real estate reaching NT\$100 million or 20 percent of paid-in capital or more.

(6) Disposal of real estate reaching NT\$100 million or 20 percent of paid-in capital or more.

(7) Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more.

(8) Trading in derivative instruments.

(9) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them.

2. Information on investees:

If the futures clearing house directly or indirectly exercises significant influence or control over an investee company, it shall disclose information on the investee company, showing the name, location, principal business activities, original investment amount, shareholding at the end of the period, profit or loss for the period, and recognized investment gain or loss.

The futures clearing house is exempted from the requirements of items (1) to (4) of the preceding subparagraph when the investee company it controls directly or indirectly is a financial, insurance, or securities enterprise.

#### Article 20

A futures clearing house shall fully disclose information on related party transactions in accordance with IAS 24. In considering whether a counterparty is a related party, attention shall be directed to the substance of the relationship in addition to the legal form. Unless it can be established that no control or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship, and relevant information shall be disclosed in the notes to the financial reports in accordance with IAS 24:

1. An affiliated enterprise within the meaning given in Chapter VI-I of the Company Act, and any of its directors, supervisors, and managerial officers.
2. A company or institution governed by the same general management office as the futures clearing house, and any of its directors, supervisors, and managerial officers.
3. A person holding the position of manager or higher in the general management office.
4. A company or institution shown as an affiliated enterprise in the futures clearing house's publications or public announcements.

#### Section VI Titles of Financial Statements

#### Article 21

Titles and forms of financial statements are as follows:

1. Balance sheet (Form 1).
2. Statement of comprehensive income (Form 2).
3. Statement of changes in equity (Form 3).
4. Statement of cash flows (Form 4).
5. Schedules to the financial reports (Forms 5-1 to 5-9).

#### Chapter III Interim Financial Reports

#### Article 22

Interim financial reports shall include interim financial reports for each of the following periods:

1. Balance sheets as of the end of the current interim period, as of the end of the immediately preceding financial year, and as of the end of the comparable interim periods of the immediately preceding financial year.
2. Statements of comprehensive income for the current interim period, for the current financial year to the end of the current interim period, for the comparable interim periods of the immediately preceding financial year, and for the immediately preceding financial year to the end of the comparable interim periods.
3. Statement of changes in equity for the current financial year to date, with a statement of changes in equity for the same period of the

immediately preceding financial year.

4. Statement of cash flows for the current financial year to date, with a statement of cash flows for the same period of the immediately preceding financial year.

#### Chapter IV Parent Company Only Financial Reports

##### Article 23

A futures clearing house preparing parent company only financial reports shall apply accounting treatment conforming to the requirements of Chapter II of these Regulations, except when it has control, significant influence, or joint control over an invested company, in which case it shall value the long-term equity investment using the equity method.

The profit or loss for the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

##### Article 24

A futures clearing house preparing parent company only financial reports is not required to prepare segment information within the scope of IFRS 8.

##### Article 25

A futures clearing house preparing parent company only financial reports shall prepare statements of major accounting items.

Titles and forms of statements of major accounting items are as follows:

1. Statements of assets and liabilities items:

- (1) Statement of cash and cash equivalents (Form 6-1).
- (2) Statement of financial assets at fair value through profit or loss - current (Form 6-2).
- (3) Statement of available-for-sale financial assets - current (Form 6-3).
- (4) Statement of derivative financial assets for hedging - current (Form 6-4).
- (5) Statement of financial assets measured at cost - current (Form 6-5).
- (6) Statement of bond investment for which no active market exists - current (Form 6-6).
- (7) Statement of trade receivables (Form 6-7).
- (8) Statement of other receivables (Form 6-8).
- (9) Statement of prepayments (Form 6-9).
- (10) Statement of clearing margins (Form 6-10).
- (11) Statement of non-current assets held for sale (Form 6-11).
- (12) Statement of other current assets (Form 6-12).
- (13) Statement of changes in financial assets at fair value through profit or loss - non-current (Form 6-13).
- (14) Statement of available-for-sale financial assets - non-current (Form 6-14).
- (15) Statement of held-to-maturity financial assets - current (Form 6-15).
- (16) Statement of changes in derivative financial assets for hedging - non-current (Form 6-16).
- (17) Statement of financial assets measured at cost - non-current (Form 6-

17)

- (18) Statement of bond investment for which no active market exists – non-current (Form 6-18)
- (19) Statement of changes in investments accounted for using the equity method (Form 6-19).
- (20) Statement of changes in accumulated impairment of investments accounted for using the equity method (Form 6-20).
- (20) Statement of changes in property and equipment (Form 6-20).
- (22) Statement of changes in accumulated depreciation of property and equipment (Form 6-22).
- (23) Statement of changes in accumulated impairment of property and equipment (Form 6-23).
- (24) Statement of changes in investment property (Form 6-24).
- (25) Statement of changes in accumulated depreciation of investment property (Form 6-25).
- (26) Statement of changes in accumulated impairment of investment property (Form 6-26).
- (27) Statement of changes in intangible assets (Form 6-27).
- (28) Statement of deferred tax assets (Form 6-28).
- (29) Statement of other non-current assets (Form 6-29).
- (30) Statement of changes in compensation reserve fund (Form 6-30)
- (31) Statement of settlement and clearing funds (Form 6-31).
- (32) Statement of settlement and clearing funds and bank credit lines (Form 6-32).
- (33) Statement of receipts, payments, and use of settlement and clearing funds (Form 6-33).
- (34) Statement of short-term borrowings (Form 7-1).
- (35) Statement of short-term bills payable (Form 7-2).
- (36) Statement of financial liabilities at fair value through profit or loss – current (Form 7-3).
- (37) Statement of derivative financial liabilities for hedging – current (Form 7-4).
- (38) Statement of financial liabilities measured at cost (Form 7-5).
- (39) Statement of trade payables (Form 7-6).
- (40) Statement of other payables (Form 7-7).
- (41) Statement of provisions – current (Form 7-8).
- (42) Statement of liabilities directly associated with non-current assets held for sale (Form 7-9).
- (43) Statement of other current liabilities (Form 7-10).
- (44) Statement of changes in financial liabilities at fair value through profit or loss – non-current (Form 7-11).
- (45) Statement of derivative financial liabilities for hedging – non-current (Form 7-12).
- (46) Statement of bonds payable (Form 7-13).
- (47) Statement of long-term borrowings (Form 7-14).
- (48) Statement of provisions – non-current (Form 7-15).
- (49) Statement of deferred tax liabilities (Form 7-16).
- (50) Statement of other non-current liabilities (Form 7-17).

2. Statements of profit or loss items:

- (1) Statement of operating revenue (Form 8-1).

(2) Statement of operating expense (Form 8-2).

(3) Statement of finance costs (Form 8-3).

A futures clearing house may determine, having regard to the concept of materiality, whether or not to separately present the statements of assets and liabilities items described in subparagraph 1 of the preceding paragraph.

#### Chapter V Concurrent Operation of the Business of a Futures Clearing House

##### Article 26

When a futures exchange or other institution that concurrently operates the business of a futures clearing house is subject to other requirements regarding the treatment of accounting matters, as provided in regulations governing the preparation of financial reports by a futures exchange or other institution, or in these Regulations, such requirements shall govern.

##### Article 27

The nature and classification of the particular accounting items set up by a futures exchange or other institution for its concurrent operation of the business of a futures clearing house are described below:

1. Operating capital for clearing business and operating capital: As required by the Standards Governing the Establishment of Futures Clearing Houses, a futures exchange or other institution that concurrently operates the business of a futures clearing house shall allocate an amount equal to the minimum paid-in capital of a futures clearing house as earmarked operating capital for use in the futures clearing segment. Operating capital for clearing business is presented as an item under other non-current assets in the balance sheet of the futures exchange or other institution (excluding the futures clearing segment), and operating capital is presented as an item under shareholders' equity in the balance sheet for the futures clearing segment. However, in preparing a consolidated balance sheet, these two items shall be offset against each other rather than being presented separately.

2. Intra-entity accounts – clearing segment: In the case of a futures exchange or other institution concurrently operating the business of a futures clearing house, these are monetary transactions between a non-futures clearing segment and the futures clearing segment. For such intra-entity accounts, a debit balance is presented as an item under other non-current assets in the balance sheet of the futures exchange or other institution (excluding the futures clearing segment) or in the balance sheet for the futures clearing segment, and a credit balance as an item under other liabilities in the balance sheet of the futures exchange or other institution (excluding the futures clearing segment) or in the balance sheet for the futures clearing segment. However, in preparing a consolidated balance sheet, a net balance shall be presented after offsetting debits against credits, provided that the details shall be indicated in the notes to the financial reports.

##### Article 28

In the case of a futures exchange or other institution concurrently operating the business of a futures clearing house, items associated with stock shares, such as share capital, share premiums under capital surplus, and treasury shares, are not presented in the financial statements for the

futures clearing segment. If as a result an increase or decrease occurs in the allocation of operating capital for clearing business, there shall be a concurrent increase or decrease in the operating capital for clearing business of the futures exchange or other institution (excluding the futures clearing segment) and in the operating capital of the futures clearing segment.

#### Article 29

When a futures exchange or other institution concurrently operates the business of a futures clearing house, then if there is an annual deficit or earnings for the futures exchange or other institution (excluding the futures clearing segment) and the futures clearing segment conversely has annual earnings or deficit, and if the earnings of one exceed the deficit of the other, then the full amount of the appropriation from earnings for the legal reserve and special reserve made in accordance with the Company Act, the articles of incorporation, or a resolution of the shareholders meeting shall be recognized for the one that had the annual earnings, whether the futures exchange or other institution (excluding the futures clearing segment) or the futures clearing segment.

#### Article 30

If as a result of its concurrent operation of the business of a futures clearing house a futures exchange or other institution needs to prepare a standalone balance sheet and statement of comprehensive income for its futures clearing segment, their titles and forms are as follows:

1. Balance sheet (Form 9).

Balance sheet - futures clearing segment (Form 9-1).

2. Statement of comprehensive income (Form 10).

Statement of comprehensive income - futures clearing segment (Form 10-1).

#### Chapter VI First-time Adoption

#### Article 31

IFRS 1 applies when a futures clearing house first adopts IFRS.

Except when electing to use the deemed cost exemption in accordance with Article 32 below, the futures clearing house shall apply IAS 40, IAS 16, and IAS 38 retrospectively to investment property, property and equipment not classified as for investment or held for sale, and intangible assets in accordance with the preceding paragraph at the date of transition to IFRS.

#### Article 32

A futures clearing house electing to use the deemed cost exemption described in IFRS 1 shall be subject to the following:

1. If all items of investment property are used for non-operating purposes and there is sufficient evidence that they are continuously being rented out and can generate a stable cash flow in the medium or long term, the futures clearing house may use the fair value of such an item of investment property as its deemed cost, with the amount estimated from the contractual rent of the investment property using the discounted cash flow method as the cap and the futures clearing house's weighted average cost of capital as the discount rate.

2. For an item of investment property that does not fall within the scope of the preceding subparagraph allowing the use of fair value as deemed cost, of property and equipment not classified as for investment or held for sale, or of intangible assets, the futures clearing house may only

elect to use a previous GAAP revaluation of that item as deemed cost at the date of the revaluation.

The futures clearing house shall disclose in the notes the election of deemed cost, the assumptions and methodology used to determine the fair value, and the weighted average cost of capital as described in the preceding paragraph.

When electing to use the fair value of an item of investment property as its deemed cost as described in subparagraph 1, paragraph 1, the futures clearing house shall obtain the appraisal from a certified R.O.C. real estate appraiser who satisfies the following conditions:

1. The appraiser must have at least 2 years of experience practicing in the field of real estate appraisal.
2. The appraiser does not have a record of poor credit in negotiable instruments or debts during the most recent 3 years, or a record of being subject to disciplinary action by a real estate appraiser disciplinary board during the most recent 5 years.
3. The appraiser may not have a related party or substantive related party relationship with the futures clearing house.
4. The appraiser has had appraisal experience relevant to the investment property being appraised, in terms of geographical location and type, during the preceding year.

The preceding article, and paragraph 1 through the preceding paragraph of this article, shall also apply to subsidiaries of the futures clearing house.

#### Article 32-1

For the financial assets or financial liabilities measured at cost upon initial recognition prior to the date of conversion, a futures clearing house may, on the date of conversion, elect to use the exemption designated by the previously recognized financial instruments pursuant to IFRS 1, or classifies them as financial assets or financial liabilities held for trading on the premises that they meet the conditions for financial assets or financial liabilities held for trading under Article 11 or 12 of these Regulations.

Financial assets or financial liabilities not included in the preceding paragraph may not be reclassified on the date of conversion.

#### Chapter VII Supplementary Provisions

#### Article 33

These Regulations shall be enforced from 1 January 2013.