

Content

Title :	Expanded Scope of Products of Business Conducted by Offshore Securities Branches (Financial-Supervisory-Securities-Firms-1030043860)
Date :	2014.11.21
Legislative :	Expanded Scope of Products of Business Conducted by Offshore Securities Branches (Financial-Supervisory-Securities-Firms-1030043860)
Content :	<p>Order of the Financial Supervisory Commission (FSC) Issue date: 21 November 2014 Issue no.: Financial-Supervisory-Securities-Firms-1030043860</p> <p>1. The scope of products of business conducted by an offshore securities branch under Article 22-4, paragraph 1 of the Offshore Banking Act ("the Act") shall be limited to products denominated in foreign currencies, and, with the exception of the following products approved by the competent authority, the denominating currency may not be New Taiwan Dollars, and the linked underlying may not be a New Taiwan Dollar exchange rate, a New Taiwan Dollar interest rate index, or a New Taiwan Dollar denominated product, and further, no investment portfolio may involve any product denominated in New Taiwan Dollars:</p> <p>(1) Offshore funds involving the domestic securities markets, provided that the ratio of investment by the fund in the Republic of China (ROC) securities market may not exceed 30 percent of the net assets of the fund.</p> <p>(2) Non-deliverable New Taiwan Dollar interest rate swaps (NDIRS) settled in foreign currency.</p> <p>(3) The foreign currency classes of multi-currency funds that include a New Taiwan Dollar class, that are issued by onshore securities investment trust enterprises and are sold by the offshore securities branch.</p> <p>(4) Foreign currency structured products and foreign currency equity derivatives business, in which the linked underlyings involve TWSE or GTSM listed single stocks (including stocks and depositary receipts issued overseas by TWSE or GTSM listed enterprises), TWSE or GTSM stock price indexes (including products in which a domestic stock price index is listed on an overseas exchange), or exchange-traded funds on the ROC securities market, provided that the product shall be denominated, cleared, and settled in foreign currency.</p> <p>The trading counterparties under the preceding subparagraphs 1 to 4 shall be limited to natural persons, juristic persons, government agencies, or financial institutions outside the territory of the ROC (collectively, "non-residents").</p> <p>Foreign currency denominated international bonds (including Formosa Bonds) need not be included in the ratio restrictions imposed in paragraph 1, subparagraph 1.</p> <p>2. When an offshore securities branch conducts underwriting of securities issued outside the territory of the ROC under Article 22-4, paragraph 1, subparagraph 4 of the Act, the parties targeted for allocation include non-residents and onshore professional investors. However, the purchasers to</p>

whom foreign currency denominated securities obtained by the underwriter on a firm commitment basis may be sold are subject to Article 22-4, paragraph 1, subparagraph 3 of the Act.

3. The scope of the already permitted foreign currency derivative products referred to in Article 12, paragraph 4 of the Regulations Governing Offshore Securities Branches is as specified in the attached table, and the relevant application document and legal compliance statement are as attached.

4. When an offshore securities branch conducts the business set forth in Point 1, paragraph 1, subparagraph 4, it may hedge the exposure relating to such business by means of a back-to-back swap with its head office, and the swap shall be denominated, cleared, and settled in foreign currency.

5. When an offshore securities branch conducts business of foreign currency credit derivatives or credit-linked foreign currency structured products, in addition to providing thorough explanations of the important content of the products and contracts and fully disclosing the relevant risks, it shall also adopt relevant operating directions and establish control systems for risk notification and disclosure and marketing processes.

6. When an offshore securities branch conducts a foreign currency asset swap linked to a bond issued by a domestic enterprise, the bond may not be converted into a Taiwanese stock. If there subsequently occurs any default by the domestic enterprise that issued the bond, and the subsequent debt liquidation is likely to cause the offshore securities branch to hold New Taiwan Dollars or products denominated in New Taiwan Dollars, the offshore securities branch shall apply to the FSC to transfer the subsequent rights and interests of the defaulted bond for assumption by the head office.

7. When an offshore securities branch conducts foreign exchange business that involves Renminbi (RMB) denominated products or products issued in the Mainland Area, it shall be subject mutatis mutandis to the relevant provisions governing the conduct of foreign currency business under the subparagraphs of Article 22-4, paragraph 1 of the Act.

8. An offshore securities branch conducting trading across foreign currencies on behalf of customers in connection with securities business may not conduct the exchange of RMB involved in financial products on behalf of principals.

9. Under Article 10 of the Regulations Governing Offshore Securities Branches, natural persons and juristic persons within the territory of the ROC referred to in Article 22-4, paragraph 1 of the Act shall satisfy the requirements for professional investors set out in Article 3 of the Regulations Governing Offshore Structured Products.

10. Any investments made in foreign currency denominated securities and any foreign currency derivatives trading conducted by an offshore securities branch shall both be counted in the limits imposed on its head office.

11. This Order shall take effect from this day forward: The 18 February 2014 Order No. Financial-Supervisory-Securities-Firms-10300032443 and the 25 August 2014 Order No. Financial-Supervisory-Securities-Firms-10300286542 are repealed from this day forward.

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