

Content

Title :	Standards Governing the Establishment of Securities Firms <b>Ch</b>
Date :	2014.12.22
Legislative :	<p>17. Articles 11, 26, 26-1, and 41-1 and the name of Chapter IV, Section I amended and promulgated and articles 25-1 to 25-3 and 26-2 and the name of Chapter IV, Section I-1 added 31 December 2003 per Order No. Taiwan-Finance-Securities-II-0920005385 of the Securities and Futures Commission, Ministry of Finance</p> <p>18. Articles 2, 14, 17, and 33 amended and issued and Articles 16-1 and 16-2 added 2 October 2007 per Order No. Financial-Supervisory-Securities-II-0960050708 of the Financial Supervisory Commission, Executive Yuan</p> <p>19. Articles 4, 20, 25-2, 38, and 43 amended and issued per 16 June 2009 Order No. Financial-Supervisory-Securities-Firms-0980029452 of the Financial Supervisory Commission, Executive Yuan; Article 4, paragraph 1, subparagraph 6 for implementation from 23 November 2009, and the remaining Articles for implementation from the date of issuance</p> <p>20. Articles 2, 11, 14, 25-2, 29, 31, and 33 amended and Articles 10-1, 18-2, and 32-1 added per 12 November 2013 Order No. Financial-Supervisory-Securities-Firms-1020042260 of the Financial Supervisory Commission</p> <p>21. Articles 14 and 25-2 amended per 22 December 2014 Order No. Financial-Supervisory-Securities-Firms-1030049348 of the Financial Supervisory Commission</p>
Content :	<p>Chapter I General Provisions</p> <p>Article 1</p> <p>These Standards are prescribed pursuant to Article 44, paragraph 4 of the Securities and Exchange Act ("the Act").</p> <p>Article 2</p> <p>Each type of securities business which may be operated by a securities firm shall be approved separately by the Financial Supervisory Commission (FSC) under the Act and these Standards. The approved type of securities business shall be specified by the license of each securities company. The operation of securities business shall not be undertaken before it is approved and specified by the license.</p> <p>Chapter II The Establishment of Securities Firms</p> <p>Article 3</p> <p>A securities firm shall be established as a company limited by shares. The minimum paid-in capital for a securities firm, according to the type of business which it operates, shall be as follows:</p> <ol style="list-style-type: none"><li>1. A securities underwriter: NT\$400 million.</li><li>2. A securities dealer: NT\$400 million.</li><li>3. A securities broker: NT\$200 million.</li></ol> <p>The minimum paid-in capital required in the preceding paragraph shall be fully collected by the promoters at the time of incorporation.</p> <p>Article 4</p> <p>The promoters of a securities company shall be disqualified should any of the following circumstances apply:</p> <ol style="list-style-type: none"><li>1. Where the person is finally convicted of having committed an offense against the internal/external security of the state, or is at large for</li></ol>

such offenses pending the closing of the case.

2. Where the person has been sentenced to imprisonment for 1 year or more for having committed fraud, breach of trust, misappropriation, or for having violated applicable laws or regulations governing the regulation of business and industry, and 2 years have not elapsed since the completion of the term of such imprisonment.

3. Where the person is convicted of having committed embezzlement during his/her years of service as a government employee and 2 years have not elapsed since the completion of the term of imprisonment.

4. Where the person is adjudicated bankrupt and his/her civil rights have not been restored; or when acting as a director, supervisor or manager for a juristic person who has been adjudicated bankrupt, and that the termination of bankruptcy proceedings has not exceeded 3 years, or the reconciliation to resolve his/her bankruptcy has not been fulfilled.

5. Where there is an event causing serious loss of good credit standing, and time has not been settled or 2 years have not elapsed since the settlement; or in the last 3 years any financial institution has refused to transact with the person or there is a record of loss of good credit standing.

6. Where the person has no legal capacity, limited legal capacity, or is placed under assistance by court order.

7. Where the person has been punished more severely than a fine under the Act or Futures Trading Act, and that the execution, probation, or pardon of such a judgment has not exceeded 3 years.

8. Where 3 years have not elapsed since the person has been dismissed or replaced of his duties by the FSC.

9. Where the person has, as supported by facts, engaged in or been involved in other bad faith or inappropriate activities, demonstrating unsuitability to work in the securities industry.

Where the promoter is a juristic person, the provisions of the preceding paragraph shall apply mutatis mutandis to any representative of or any designated individual executing business for the juristic person.

Article 5

(deleted)

Article 6

The business floor and the facilities of a securities firm shall be in accordance with the standards prescribed by a securities dealers' association or the GreTai Securities Market (the GTSM); for a securities firm which engages in brokerage or proprietary trading business in the stock exchange, they shall also be in accordance with the floor and facilities standards prescribed by the Taiwan Stock Exchange Corporation (the TWSE).

Article 7

In filing an application with the FSC for approval, the promoters of a securities firm shall according to the type of business which it operates, deposit the amount prescribed below with the bank designated by the FSC:

1. A securities underwriter: NT\$40 million.

2. A securities dealer: NT\$10 million.

3. A securities broker: NT\$50 million.

The deposit prescribed in the preceding paragraph may be substituted by

government bonds or financial bonds.

The fund deposited in compliance with paragraph 1 shall not be removed before the company deposits the operation bond and obtains the incorporation registration; for a company whose application for the permit is rejected or whose permit is revoked, the fund may be removed after the FSC informs the company.

#### Article 8

Prior to filing an application with the FSC for approval to engage in brokerage or proprietary trading business in the stock exchange, the applicant shall receive the consent of computer linkage from the securities central depository enterprise and, according to the type of business which it operates, receive the consent of computer linkage from the stock exchange as required below:

1. A securities dealer: the linkage of the host computer or the terminal.
2. A securities broker: the linkage of the host computer or the terminal.

Prior to filing an application with the FSC for approval to engage in brokerage or proprietary trading business in the over-the-counter market by its head office and newly established branches, the applicant shall receive the consent of the computer linkage for its securities trading information from the GTSM.

#### Article 9

In filing an application with the FSC for the permit to establish a securities firm, the promoters shall submit all of the following documentation:

1. The application form (Annex 1).
2. Articles of incorporation.
3. A business plan which specifies: the principles of business operation; the division of internal organization; the employment of personnel; the description of facilities; and its financial projection for the next 3 years.
4. The minutes of the promoters' meeting.
5. The list of promoters (Annex 2).
6. A statement from the promoters declaring the inapplicability of Article 4 (Annex 3).
7. The certification of the deposit made under Article 7.
8. The documentation affirming the availability to the computer linkage as required under Article 8.
9. Other documents that the FSC may so require.

#### Article 10

The incorporation registration of a securities firm shall be completed within 6 months from the date of the permit issued by the FSC and all of the following documentation shall be submitted to the FSC to apply for a securities business operation license:

1. The application form (Annex 4).
2. A photocopy of the company license.
3. Articles of incorporation.
4. The system of internal control.
5. The balance sheet 1 month preceding the date of application.
6. The list of shareholders.
7. The list of directors and the minutes of the board of directors.

8. The list of supervisors.
9. The list of managerial and associated persons with certification of their qualifications.
10. A statement declaring the inapplicability of Article 53 of the Act in respect of directors, supervisors, and managers.
11. The documentation certifying the compliance with Article 6.
12. The documentation certifying the deposit of operation bond.
13. The contract affirming the availability to utilize the computer linkage facilities under Article 8.
14. Other documents that the FSC may so require.

The permit for the establishment of a securities firm shall be revoked if the said securities firm fails to apply for the license within the duration prescribed in the preceding paragraph. The duration prescribed in the preceding paragraph may be extended, however, should the said securities firm apply to the FSC, with just cause, prior to the expiration of the duration. Such an extension shall not be more than 6 months and may be applied only once.

#### Article 10-1

In any of the following circumstances, the FSC may reject an application for a permit to establish a securities firm:

1. Any of the circumstances in Article 4 applies with respect to a promoter.
2. Any of the circumstances in Article 53 of the Act applies with respect to a director, supervisor, or managerial officer.
3. Any misrepresentation or falsehood is found in any content or information in the application documents.
4. The business plan or the internal control system is not concrete enough, or cannot be implemented effectively.
5. Other circumstances under which denial of permission is considered necessary to protect the public interest.

If the application documents submitted under this Chapter are incomplete or otherwise contain incomplete information, and the situation cannot be corrected within a time limit designated by the FSC, the application documents will be returned.

#### Article 11

Securities firms shall establish the system of internal control referred to in Article 10, paragraph 1, subparagraph 4 in accordance with the Regulations Governing Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets and the regulations for establishing internal control systems by securities firms jointly prescribed by the TWSE and other related institutions.

#### Article 12

In the event that a securities firm engages in two or more types of securities business, the calculation in compliance with the requirement stipulated in Article 3, 7, and 8 shall be that applicable to the total of the types of business that it operates.

### Chapter III The Application by a Financial Institution to Concurrently Operate Securities Business

#### Article 13

A financial institution which, in accordance with the Banking Act or other

laws and regulations, may engage in securities business shall file the application under the name of the said financial institution.

#### Article 14

With the exceptions of futures commission merchants (FCM), proprietary trading of government bonds, foreign bond trading agency business, business with special approval granted by the FSC based on policy considerations, and business for which a permission for concurrent operation has been obtained prior to the issuance of these Standards, a financial institution that concurrently engages in securities business shall restrict such concurrent operations to only one of the following:

1. Securities underwriting.
2. Securities dealing.
3. Securities trading brokerage or intermediary services.
4. Securities underwriting and dealing.
5. Securities dealing and securities brokerage at its place of business.

An FCM that concurrently engages in securities business shall restrict such concurrent operations to only one of the following:

1. Securities dealing.
2. Securities trading brokerage or intermediary services.
3. Securities dealing and securities trading brokerage or intermediary services.

An FCM that is concurrently operated by another business may not apply to concurrently engage in securities business.

#### Article 15

A financial institution which concurrently operates securities business shall allocate the operating capital in the amount same as that required under Article 3 hereof; if the paid-in capital of the said financial institution is insufficient to allocate the operating capital, a capital increase has to be made before the application.

A financial institution which concurrently operates securities business shall allocate operating capital through funds set aside especially for this purpose and unless governed by Article 102 of the Banking Act, may not use it for purposes other than securities business.

#### Article 16

The provisions of Article 6, 7, 8, 11, and 12 shall be applied mutatis mutandis to a financial institution which applies to concurrently operate securities business. The provisions of Articles 11 shall be applied mutatis mutandis to a financial institution which only operates as a dealer in government bonds and the said financial institution shall assign at least one full time associated person to deal with such business.

#### Article 16-1

An FCM that applies to concurrently engage in securities business shall meet all of the following requirements:

1. Its CPA-audited and certified financial report for the most recent period shows no accumulated deficit, is in compliance with Article 17 of the Regulations Governing Futures Commission Merchants, and is free of the circumstances specified in Article 22 of those same Regulations.
2. It has not been subject to a warning sanction by the FSC in the most recent 3 months.
3. In the most recent half-year it has not been subject to any FSC sanction

under Article 66, subparagraph 2 of the Act ordering the company to dismiss any director, supervisor, or managerial officer from office, nor subject to any FSC sanction under Article 100, paragraph 1, subparagraph 2 of the Futures Trading Act ordering it to dismiss its responsible person or other relevant personnel.

4. It has not been subject to any FSC sanction suspending business operations in the most recent year.

5. It has not been subject to any FSC sanction revoking a portion of its business permit in the most recent 2 years.

6. It has not, in the most recent year, had its trading operations suspended or restricted pursuant to the bylaws of a futures exchange or futures clearing house.

7. Other requirements as specified by the FSC.

If an FCM is not in compliance with a requirement in subparagraphs 2 to 6 of the preceding paragraph, but the circumstances have shown concrete improvement, it may be exempted from those restrictions with the approval of the FSC.

#### Article 16-2

An FCM that applies to concurrently engage in securities business shall, except as otherwise provided by law, establish an independent department dedicated to handling securities business. That department's operations and accounting must be independent.

#### Article 17

In filing an application with the FSC for the permit to concurrently operate securities business, a financial institution shall submit all of the following documentation:

1. The application (Annex 6).
2. A photocopy of its business license.
3. Articles of incorporation or equivalent documentation.
4. A business plan which specifies: the principles of business operation; the division of internal organization; the employment of personnel; the description of facilities; and its financial projection for the next 3 years.
5. The minutes of the Board of directors.
6. The list of directors and supervisors.
7. A statement declaring the inapplicability of Article 53 of the Act in respect of its directors and supervisors (Annex 5).
8. The certification of the deposit made under Article 7.
9. The documentation affirming the availability to the computer linkage as required under Article 8.
10. Other documents that the FSC may so require.

An FCM that applies to concurrently engage in securities business, in addition to submitting the documentation of the preceding paragraph, shall also submit the most recent CPA-audited and certified financial report, and operating rules regarding risk differentiation and conflict of interest for securities and futures business operations.

#### Article 18

The application by a financial institution for a securities business operation license shall be filed within 6 months from the date of the permit issued by the FSC and all of the following documentation shall be

submitted:

1. The application (Annex 7).
2. The system of internal control for the securities business.
3. The list of managerial and associated persons with certification of their qualifications.
4. A statement declaring the inapplicability of Article 53 of the Act in respect of its managers (Annex 5) .
5. The documentation certifying the compliance with Article 6.
6. The documentation certifying the deposit of operation bond.
7. The contract affirming the availability to utilize the computer linkage facilities under Article 8.
8. Other documents that the FSC may so require.

The permit for the operation of securities business shall be revoked if the said financial institution fails to apply for the license within the duration prescribed in the preceding paragraph. The duration prescribed in the preceding paragraph may be extended, however, should the said financial institution apply to the FSC, with just cause, prior to the expiration of the duration. Such an extension shall not be more than 6 months and may be applied only once.

#### Article 18-1

In the event that a financial institution only applies to operate as a dealer in government bonds, its application for the permit under Article 17 may exempt the documentation of subparagraphs 4, 6, 7 and 8; its application for the securities business operation license under Article 18 may exempt the documentation of subparagraph 5.

#### Article 18-2

In any of the following circumstances, the FSC may reject an application from a financial institution for a permit for concurrent operation of securities business:

1. Any of the circumstances in Article 53 of the Act applies with respect to a director, supervisor, or managerial officer.
2. Any misrepresentation or falsehood is found in any content or information in the application documents.
3. The business plan or the internal control system is not concrete enough, or cannot be implemented effectively.
4. Other circumstances under which denial of permission is considered necessary to protect the public interest.

If the application documents submitted under this Chapter are incomplete or otherwise contain incomplete information, and the situation is not corrected within a time limit designated by the FSC, the application documents will be returned.

### Chapter IV The Establishment of Branch Units and Representative Offices

#### Section I Domestic Branch Units

#### Article 19

A securities firm established under these Standards may apply for the establishment of a branch unit upon the completion of 1 year operation. Such restriction does not apply, however, to the establishment of a branch unit as a result of merger or transfer.

#### Article 20

A securities firm applying for the establishment of branch units shall meet

all of the following requirements:

1. The applicant's most recent CPA audited financial report indicates that the net worth of each share exceeds its par value and its financial condition complies with the standards stipulated under Article 49 of the Act; however, the requirement regarding the net worth of each share exceeds par value shall not apply to a securities firm which increases branch units owing to merger, or acquisition other securities firms.
2. The applicant has not been issued a warning by this FSC under Article 66, subparagraph 1 of the Act within the most recent 3 months.
3. The applicant has not been sanctioned by the FSC's order under Article 66, subparagraph 2 of the Act to dismiss its directors, supervisors or managers within the most recent 6 months or ordered under Article 100, paragraph 1, subparagraph 2 of the Futures Trading Act to replace its responsible person or other related personnel.
4. The applicant's operations have not been suspended by the FSC within the most recent year.
5. The applicant's business licenses have not been revoked by the FSC within the most recent 2 years.
6. The applicant has not been restricted or suspended to trade under the by-laws of the TWSE, GTSM, or TAIEX within the most recent 1 year.
7. The Capital Sufficiency Ratio of the securities firm is not lower than 150 percent.

If a securities firm does not meet a requirement set forth in any of subparagraphs 2 to 6 of the preceding paragraph, but has shown concrete improvement in the circumstances, and the FSC has recognized the improvement, the securities firm may be exempted from the relevant requirement.

For securities firms that increase branch units owing to merger or acquisition of the entire business, assets or facilities of other securities firms under the approval of the FSC, the requirements of subparagraphs 2, 3, and 7 of paragraph 1 shall not apply.

#### Article 21

For each branch unit that a securities firm establishes, the paid-in capital of the firm shall increase by NT\$30 million.

#### Article 22

The standards of the business floor and facilities required under Article 6 shall apply mutatis mutandis to branch units of securities firms.

Prior to filing an application with the FSC for approval to engage in brokerage business in the stock exchange by a branch unit of a securities firm, the consent of computer linkage from the securities central depository enterprise and the stock exchange shall be received.

Prior to filing an application with the FSC for approval to engage in brokerage business in the over-the-counter market by a securities branch unit of a securities firm, the consent of the computer linkage for its securities trading information from the GTSM shall be received.

#### Article 23

In filing an application with the FSC for the permit to establish branch units, a securities firm shall submit all of the following documentation:

1. The application for establishment of branch units (Annex 8).
2. Articles of incorporation or equivalent documentation.



3. A business plan which specifies: the principles of business operation by branch units; the division of internal organization; the employment of personnel; the description of facilities; and its financial projection for the next 3 years.
4. The minutes of the Board of directors.
5. The system of internal control required under Article 11 (including that of the branch units).
6. The documentation affirming the availability to the computer linkage as required under Article 22, paragraph 2 or 3.
7. Other documents that the FSC may so require.

#### Article 24

The incorporation registration of a securities branch unit shall be completed within 6 months from the date of the permit issued by the FSC and all of the following documentation shall be submitted to the FSC to apply for a securities business operation license of the said branch unit:

1. The application for establishment of branch unit (Annex 9).
2. A photocopy of the branch unit establishment registration certificate.
3. The list of managerial and associated persons with certification of their qualifications.
4. The documentation certifying the compliance with Article 6.
5. The documentation certifying the deposit of operation bond.
6. The contract affirming the availability to utilize the computer linkage facilities under Article 22, paragraph 2 or 3.
7. Other documents that the FSC may so require.

The permit for the establishment of a branch unit shall be revoked if the applicant fails to apply for the license within the duration prescribed in the preceding paragraph. The duration prescribed in the preceding paragraph may be extended, however, should the said securities firm apply to the FSC, with just cause, prior to the expiration of the duration. Such an extension shall not be more than 6 months and may be applied only once.

#### Article 25

The provisions of Article 19 through 24 shall apply mutatis mutandis to those applications by financial institutions which concurrently operate securities business for establishment of offices to concurrently operate securities business. The provisions of Articles 20, Article 23, subparagraphs 1, 2, 4 to 7, and Article 24, paragraph 1, subparagraphs 1 to 3 and 5 to 7 and paragraph 2 of these Standards shall be applied mutatis mutandis to a financial institution which only applies to conduct proprietary trade in government bonds at its branch units. The said financial institution shall assign a full time associated person to deal with such business.

#### Section I-1 Overseas Branch Units and Representative Offices

##### Article 25-1

A securities firm established under these Standards may apply to establish an overseas branch unit(s) upon the completion of 3 years of operation. Applications to establish an overseas branch unit under the preceding paragraph shall be confined to locations that have a centralized securities exchange market and a dedicated competent authority, and have been publicly announced by the FSC.

##### Article 25-2

A securities firm establishing an overseas branch unit(s) shall comply with the provisions of all the following subparagraphs:

1. Concurrently operate three kinds of business, securities underwriting, proprietary trading, and brokerage or commission agency, and have net worth of not less than NT\$3 billion on the financial report for the most recent period audited and attested by CPAs.
2. Have net worth per share of not less than par value on the financial report for the most recent period audited and attested by CPAs and have financial condition complying with the standards prescribed in Article 49 of the Act.
3. Comply with the provisions of Article 20, paragraph 1, subparagraphs 2 through 6.
4. Have a regulatory capital adequacy ratio of not less than 200 percent and a sound financial structure, provided that this restriction does not apply if the securities firm has been granted special approval due to special needs.

If a securities firm does not meet a requirement in subparagraph 3 of the preceding paragraph, but has shown concrete improvement in the circumstances, and the FSC has recognized the improvement, the securities firm may be exempted from the relevant requirement.

The sum of the funds that a securities firm establishing an overseas branch unit(s) appropriates there for local operations plus the total funds the securities firm invests in foreign and mainland enterprises shall not exceed 40 percent of the securities firm's net worth, provided that this restriction does not apply if the securities firm has been granted special approval due to special needs.

#### Article 25-3

The minimum paid-in capital of a securities firm shall be increased by NT\$30 million for each overseas branch unit it establishes.

#### Article 26

A securities firm applying for the permit to establish branch units or representative offices overseas or a financial institution with approval to concurrently operate securities business applying for the permit to concurrently operate securities business by its overseas branch units shall submit all of the following documentation to the FSC:

1. Application for establishment of the branch unit or representative office.
2. Articles of incorporation or equivalent documentation.
3. A business plan: for the establishment of branch units, the plan shall specify the principles of business operation by its overseas branch units, the division of internal organization, the employment of personnel, the description of facilities, and its financial projection for the next 3 years; for the establishment of representative offices, the plan shall specify the organization of and affairs to be dealt with by its representative offices.
4. The meeting minutes of the Board of directors.
5. The system of internal control required under Article 11 (including that of the overseas branch units or representative offices).
6. For the establishment of branch units, a feasibility assessment report must be submitted, specifying: the factors in the choice of the location

for establishment; provisions of acts and regulations regarding matters such as local restrictions applying to foreign securities firms with respect to application procedures, review standards, business operations, and whether the competent authority of the home country may collect and inspect information on the financial and operational condition of the branch unit; self-assessment describing the compliance of the application case with local acts and regulations, operational risk assessment and benefit analysis.

7. Other documents that the FSC may require.

If the business that would be handled, under local securities acts and regulations and customary business practices, by the overseas branch unit that the securities firm is applying to establish surpasses the business items of the head office, all of the following documents shall be submitted in addition to the documents in the preceding paragraph:

1. Business item particulars: including the products to be handled, types of transactions, and trading counterparts and markets.
2. Local acts and regulations that must be complied with when engaging in such business.
3. Internal control and risk management plan.
4. Legal opinion by a lawyer.

#### Article 26-1

A securities firm that has applied to establish branch units or representative offices overseas or a financial institution concurrently operating securities business that has applied for its overseas branch units to concurrently operate securities business shall, after obtaining approval for establishment from the local competent authority, submit all of the following documentation to the FSC for recordation before commencing business:

1. Photocopy of the document issued by the local competent authority to approve the establishment.
2. List of managers and associated persons or representatives.
3. Date of establishment and detailed address.
4. For establishment of a branch unit, the business items the local competent authority has approved for operation shall also be submitted.

#### Article 26-2

A securities firm that has already established an overseas branch unit or representative office shall still be required to file an application with the FSC in accordance with the provisions of this Section when establishing an additional branch unit(s) or representative office(s) in the same country or region.

### Section II Foreign Securities Firms

#### Article 27

(deleted)

#### Article 28

A foreign securities firm which intends to establish branch units within the territory of the Republic of China (ROC), shall meet all of the following qualifications:

1. The applicant possesses sufficient international securities business experience and financial health in the business type being applied for.
2. The applicant has not been sanctioned administratively by its home

country's securities regulatory authorities within the most recent 2 years. The sufficient international securities business experience referred to in subparagraph 1 of the preceding paragraph requires more than 3 years in the securities business and one of the following criteria:

1. Verification of sufficient international securities business experience through the governing institution or other organization of the firm's mother nation, or through any other institution recognized by the FSC.
2. Obtaining from a country other than the firm's mother nation a membership or trading qualification of the stock exchange.
3. A place of business operation located outside of the firm's mother nation or business operations in overseas markets, such that it has received income from the same type of operations applied for.

The financial health referred to in paragraph 1, subparagraph 1 requires the most recent CPA audited financial report to indicate that the net value of per share is not below its par value.

#### Article 29

A foreign securities firm applying for the establishment of a branch unit within the territory of the ROC should deposit operating capital which shall not be less than the total amount of the paid-in capital needed to be increased for establishment of a branch unit prescribed by Article 21, and the business bond and the settlement/clearance fund needed to be deposited in accordance with Articles 9 and 10 of the Regulations Governing Securities Firms, Article 6 of the Rules for Dealing with Margin Loans and Stock Loans by Securities Firms and the requirements stipulated by other rules and regulations. However, if applying for the establishment of a branch unit thereafter, the firm shall deposit the business bond and the settlement/clearance fund according to Articles 9 and 10 of the Regulations Governing Securities Firms regarding the procedure for establishing branch units.

A foreign securities firm applying for the establishment of a branch unit shall maintain in the ROC assets which shall not be less than the amount of the special reserve appropriated in accordance with Article 14 of the Regulations Governing Securities Firms, and the amount of the liabilities on the balance sheet of the said branch unit.

#### Article 30

The provisions of Articles 6 and 8 shall apply mutatis mutandis to the establishment of branch units within the territory of the ROC by foreign securities firms.

#### Article 31

In filing an application with the FSC for the permit to establish branch units, a foreign securities firm shall submit all of the following documentation:

1. The application for establishment of branch units (Annex 10).
2. A certified copy of its articles of incorporation or equivalent documentation.
3. A business plan which specifies: the principles of business operation; the division of internal organization; the employment of personnel; the description of facilities; and its financial projection for the next 3 years.
4. The internal control system required by Article 11.

5. The securities business license issued by the securities regulatory agency or an equivalent agency of its home country and the documentation certifying the compliance with the requirements stipulated under Article 28.
6. A document issued by the competent securities authority of the home country of the foreign securities firm and its parent company approving its establishment of a branch unit within the territory of the ROC.
7. Documentary proof that the parent company of the foreign securities firm has approved its establishment of a branch unit within the territory of the ROC and has made a commitment of financial responsibility regarding the branch unit.
8. The list of directors, managers, and shareholders who possess more than five percent of its outstanding shares.
9. A certified copy of the minutes of the board of directors meeting at which the resolution to establish branch units in the ROC was made.
10. The names, nationalities and domiciles of directors and other responsible persons.
11. The names, nationalities and domiciles or residence and the power of attorney of designated agents for litigious and non-litigious matters in the ROC.
12. Balance sheets and income statements audited by certified public accountants for the most recent 3 years.
13. The power of attorney designating agents for the purpose of applying to the FSC for establishment of branch units.
14. The documentation of identification for the agent for litigious and non-litigious matters in the ROC.
15. The documentation affirming the availability to the computer linkage as required under Article 8.
16. Other documents that the FSC may so require.

All the aforesaid documentation in foreign language shall be accompanied by a Chinese translation.

#### Article 32

The establishment registration of a foreign securities firm's branch unit shall be completed within 6 months from the date of the permit issued by the FSC and all of the following documentation shall be submitted to the FSC to apply for a securities business operation license of the said branch unit:

1. The application (Annex 11).
2. A photocopy of the branch unit establishment registration certificate.
3. The list of managers and associated persons with certification of their qualifications.
4. The documentation certifying the compliance with Article 6.
5. The documentation certifying the deposit of business bond.
6. The contract affirming the availability to utilize the computer linkage facilities under Article 8.
7. Other documents that the FSC may so require.

The permit for the establishment of a foreign securities firm's branch unit shall be revoked if the applicant fails to apply for the license within the duration prescribed in the preceding paragraph. The duration prescribed in the preceding paragraph may be extended, however, should the said foreign

securities firm apply to the FSC, with just cause, prior to the expiration of the duration. Such an extension shall not be more than 6 months and may be applied only once.

#### Article 32-1

In any of the following circumstances, the FSC may reject an application from a foreign securities firm for establishment of a branch unit:

1. Any of the circumstances in Article 53 of the Act applies with respect to a managerial officer of the branch unit.
2. Any misrepresentation or falsehood is found in any content or information in the application documents.
3. The business plan or the internal control system is not concrete enough, or cannot be implemented effectively.
4. Other circumstances under which denial of permission is considered necessary to protect the public interest.

If the application documents submitted under this Chapter are incomplete or otherwise contain incomplete information, and the situation is not corrected within a time limit designated by the FSC, the application documents will be returned.

#### Article 33

A foreign financial institution, with approval from its home government, may apply to the FSC for the establishment of branch units for the operation of securities business.

The provisions of Articles 6, 8, 11 through 15, 19, 20, 29, 31, 32, and 32-1 shall apply mutatis mutandis to foreign financial institutions, other than FCMs, that apply for their branch units established within the territory of the ROC to concurrently operate securities business.

The provisions of Articles 6, 8, 11 to 15, 16-1, 16-2, 19, 20, 29, 31, 32, and 32-1 shall apply mutatis mutandis to foreign FCMs that apply for their branch units established within the territory of the ROC to concurrently operate securities business.

#### Article 33-1

A foreign securities firm intending to establish a representative office in the ROC shall meet both of the following qualifications:

1. The applicant possesses sufficient experience in international securities business.
2. The applicant has not been sanctioned suspension of business or more severe penalty administratively by its home country's securities regulatory authorities within the most recent year.

The sufficient experience in international securities business referred to in subparagraph 1 of the preceding paragraph has the same requirements set in Article 28, subparagraph 2.

#### Article 33-2

In filing an application with the FSC for the approval to establish a representative office within the territory of the ROC, a foreign securities firm shall submit all of the following documentation:

1. Application for the establishment of representative offices.
2. The securities business license issued by the securities regulatory agency or its equivalent agency of the home country and documents certifying compliance with the qualification requirements stipulated under Article 33-1.

3. A certified copy of its articles of incorporation or equivalent documentation.
4. A certified copy of the minutes of the board of directors meeting at which the resolution to establish a representative office in the ROC was made.
5. Balance sheets audited by certified public accountant for the most recent 3 years.
6. A certified copy of the power of attorney designating the representative.
7. A resume of the authorized representative.
8. A certified copy of the power of attorney designating the agent for the purpose of applying to the FSC for establishment of representative office.
9. Other documents that the FSC may so require.

All the aforesaid documentation in foreign language shall be accompanied by a Chinese translation.

#### Article 33-3

For a foreign securities firm approved to establish a representative office within the territory of the ROC, its representative office is prohibited from engaging in the securities business stipulated under Article 15 of the Securities and Exchange Act.

### Chapter V The Investment in Securities Firms by Overseas Chinese and Foreign Nationals

#### Article 34

The investment in securities firms by overseas Chinese and foreign nationals shall be approved by the FSC in advance.

#### Article 35

(deleted)

#### Article 36

(deleted)

#### Article 37

(deleted)

### Chapter VI The Increase of the Type of Business

#### Article 38

A securities firm or a financial institution concurrently operating securities business applying for the increase of the type of business shall meet all of the following requirements:

1. The applicant has not been issued a warning by the FSC under Article 66, subparagraph 1 of the Act within the most recent 3 months.
2. The applicant has not been sanctioned by the FSC's order under Article 66, subparagraph 2 of the Act to dismiss its directors, supervisors or managers within the most recent 6 months or order under Article 100, paragraph 1, subparagraph 2 of the Futures Trading Act to replace its responsible person or other related personnel.
3. The applicant has not been suspended operation by the FSC under Article 66, subparagraph 3 of the Act within the most recent 1 year.
4. Any portion of the applicant's business licenses has not been revoked by the FSC under the Act within the most recent 2 years.
5. The applicant has not been restricted or suspended to trade under the by-laws of the TWSE, GTSM, or TAIEX within the most recent 1 year.
6. The Capital Sufficiency ratio of the securities firm is not lower than

150 percent.

If a securities firm does not meet a requirement set forth in any of subparagraphs 1 to 5 of the preceding paragraph, but has shown concrete improvement in the circumstances, and the FSC has recognized the improvement, the securities firm may be exempted from the relevant requirement.

#### Article 39

In filing an application for the permit to increase the type of business by a securities firm or a financial institution concurrently operating securities business, all of the following documentation shall be submitted to the FSC:

1. Articles of incorporation or equivalent documentation.
2. A business plan which specifies: the principles of the operation for the increased type business; the division of internal organization; the employment of personnel; the description of facilities; and its financial projection for the next 3 years.
3. The meeting minutes of the Board of directors.
4. The system of internal control required under Article 11 (including that for the increased business type).
5. The documentation affirming the availability to the computer linkage as required under Article 8.
6. Other documents that the FSC may so require.

#### Article 40

The amendment registration for the increase of the type of business of a securities company or a financial institution concurrently operating securities business shall be completed within 6 months from the date of the permit issued by the FSC and all of the following documentation shall be submitted to the FSC to apply for a securities business operation license:

1. A photocopy of the company license with the increased type of business.
2. The list of managers and associated persons with certification of their qualifications.
3. The documentation certifying the compliance with Article 6.
4. The documentation certifying the deposit of business bond.
5. The contract affirming the availability to utilize the computer linkage facilities under Article 8.
6. Other documents that the FSC may so require.

The permit for the increase of the type of business shall be revoked if the applicant fails to apply for the license within the duration prescribed in the preceding paragraph. The duration prescribed in the preceding paragraph may be extended, however, should the applicant apply to the FSC, with just cause, prior to the expiration of the duration. Such an extension shall not be more than 6 months and may be applied only once.

#### Article 40-1

In the event that a securities firm or a financial institution concurrently operating securities business only applies to increase the business of proprietary trading in government bonds, its application for the permit under Article 39 may exempt the documentation required under subparagraph 2; its application for the securities business operation license under Article 40 may exempt the documentation required under subparagraph 3.

#### Article 41



The provisions of Article 3, 6, 8, 11, 14 and 15 shall be applied mutatis mutandis to the application for the increase of the type of business by a securities firm or a financial institution concurrently operating securities business. The provisions of Article 3, 11, 14 and 15 shall be applied mutatis mutandis to the application to increase the business of proprietary trading in government bonds and the said securities firm or financial institution shall assign at least one full time associated person to deal with such business.

#### Article 41-1

Articles 38 to 40 are applicable to securities firms or financial institutions concurrently operating securities business applying for increasing the types of business operations; provided, if this does not involve issuance of a new operations license, the mutatis mutandis application of Article 40 is exempted.

#### Chapter VII Supplemental Provisions

#### Article 42

(deleted)

#### Article 43

These Standards shall come into force as of the date of promulgation, with the exceptions of subparagraph 7 of Article 20 and subparagraph 6 of Article 38, as amended and issued 29 June 1998, which shall come into force as of 1 January 1999, and subparagraph 6 of paragraph 1 of Article 4, as amended and issued 16 June 2009, which shall come into force as of 23 November 2009.