

Content

Title :	Regulations Governing Book-Entry Operations for Centrally Deposited Securities <b>Ch</b>
Date :	2015.10.07
Legislative :	<ol style="list-style-type: none"><li>1. Thirty-five articles promulgated in full on 7 November 1989 by the Securities and Exchange Commission of the Ministry of Finance, pursuant to Order (78) Taiwan-Finance-Securities (III) No. 02270</li><li>2. Articles 3, 4, 6, 8, 15, 27, and 35 amended and promulgated and Articles 30-1 to 30-4 added on 30 July 1993 per Order No. (82) Taiwan-Finance-Securities (IV) No. 1767 of the Securities and Exchange Commission of the Ministry of Finance, for implementation on 20 March 1994</li><li>3. Articles 2, 3, and 29 amended and promulgated on 30 December 1994 per Order No. (83) Taiwan-Finance-Securities (IV) No. 02550 of the Securities and Exchange Commission of the Ministry of Finance</li><li>4. Article 15 amended and promulgated on 24 October 1995 per Order No. (84) Taiwan-Finance-Securities (IV) No. 02411 of the Securities and Exchange Commission of the Ministry of Finance</li><li>5. Articles 2, 3, 4, 7, 15, 29, 30, 31, and 32 amended and promulgated; Articles 26-1, 29-1, and 30-5 added; and Chapter V renamed, on 2 November 2001 per Order No. (90) Taiwan-Finance-Securities (IV) No. 005913 of the Securities and Futures Commission of the Ministry of Finance, for implementation on 15 November 2001.</li><li>6. Articles 6, 10, 31, 32, and 35 amended and promulgated; Articles 30-6 through 30-8 added on 7 July 2003 per Order No. 92 Taiwan-Finance-Securities (IV) No. 0920002796 of the Securities and Futures Commission, Ministry of Finance</li><li>7. Articles 1 and 30 amended and promulgated on 30 October 2004 per Order No. Financial-Supervisory-Securities-IV-0930005142 of the Securities and Futures Commission, Ministry of Finance</li><li>8. Articles 2, 17, 30, and 35 amended and issued per 25 November 2010 Order No. Financial-Supervisory-Securities-SITC-0990065062; for enforcement from the date of issuance, with the exception of Article 17, which shall be enforced from 25 December 2010</li><li>9. Articles 21, 23, 29, and 29-1 amended and issued per 7 October 2015 Order No. Financial-Supervisory-Securities-SITC-1040039214</li></ol>
Content :	<p>CHAPTER I GENERAL PROVISIONS</p> <p>Article 1</p> <p>These Regulations have been prescribed pursuant to paragraph 2 of Article 43 of the Securities and Exchange Act and paragraph 4 of Article 34 of the Securities Investment Trust and Consulting Act.</p> <p>Article 2</p> <p>Securities in the custody of a centralized securities depository enterprise (below, "CSDE") and eligible for book-entry transfer shall be limited to one of the following:</p> <ol style="list-style-type: none"><li>1. Securities listed on the Taiwan Stock Exchange (TWSE).</li><li>2. Securities traded over the counter of securities firms.</li><li>3. Other securities approved by the Financial Supervisory Commission (FSC).</li></ol> <p>Article 3</p> <p>Centralized settlement of securities as referred to in the preceding article by the TWSE, the Taipei Exchange (TPEX), securities firms, and securities finance enterprises shall be conducted by book entry.</p> <p>In order to conduct book-entry settlement as referred to in the preceding</p>

paragraph, the TWSE, the TPEX, securities firms, and securities finance enterprises shall open accounts with a CSDE, and thus become participants of a CSDE.

Where the securities referred to in the preceding article are pledged, participants may deliver the pledged securities by book-entry transfer. An issuer that delivers non-physical securities by book-entry transfer shall open an account with a CSDE and thus become a participant of a CSDE.

#### Article 4

Deposit or withdrawal of securities by a customer of a participant (below, the "customer"), and book-entry settlement or pledging of the deposited securities shall be conducted in the name of the participant.

An issuer delivering non-physical securities by book-entry transfer, and its shareholders carrying out account transfer procedures, shall do so in the name of the participant.

### CHAPTER II OPENING AND ADMINISTRATION OF ACCOUNTS

#### Article 5

To open a new account with a CSDE, an applicant shall submit an application and other relevant documents to the CSDE.

#### Article 6

The CSDE shall set up participant's account books.

The account books as referred to in the preceding paragraph shall record, in addition to the participant's name, office address, and government uniform invoice number or tax ID number, all of the following information regarding securities deposited by the participant:

1. The respective portions owned by participants, customers, as well as the respective portions pending settlement, under pledge, and registered.
2. Types and quantities of securities, and the name of the issuing company.
3. Any increase or decrease in the quantity of deposited securities, and reasons for such changes.
4. Where the securities serve as trust assets, any necessary recordation with respect thereto.
5. Other necessary items.

The portion of securities pending settlement referred to in Item 1 of the preceding paragraph shall refer to those deposited securities to be delivered to other participants and/or customers in performing settlement.

#### Article 7

A customer intending to have securities deposited with a CSDE in the name of a participant shall prepare and submit to the participant a completed account application together with a chop/signature specimen card.

The participant, upon accepting a customer's application to open a new account, shall enter into a contract with and provide a passbook to the customer.

The contents of the contract referred to in the preceding paragraph shall be determined by consultation among the Securities Dealers' Associations, and shall be filed with the Commission for approval.

The passbook as referred to in paragraph 2 of this article shall not be transferable nor be used as collateral.

#### Article 8

Where the securities of a customer have been deposited with a CSDE by a participant in compliance with relevant laws and regulations, and the said

customer has not opened an account as referred to in the preceding article with the said participant, the customer shall apply to open an account in accordance with the procedures prescribed in the preceding article prior to withdrawal or sales of such securities, or before creating a pledge on such securities.

#### Article 9

Where securities of a customer have been deposited with a CSDE in the name of a participant with which the customer holds an account, the withdrawal and book-entry of such securities shall be conducted through the same account.

#### Article 10

Upon accepting a customer's account application and having the customer's securities deposited with a CSDE in the participant's name, the participant shall set up customer's account books recording the following information:

1. the customer's name, identification card number, government uniform invoice number, tax ID number, and residence or domicile;
2. types and quantities of securities, and name of the issuers;
3. any increase and decrease in the quantity of securities and reasons for such changes;
4. where the securities serve as trust assets, any necessary recordation with respect thereto; and
5. other necessary items.

#### Article 11

A CSDE may cancel the account of a participant if one of the following situations occurs:

the participant has lost the necessary qualification of a participant;  
the participant has not used the account for a certain period of time; or  
other matters requiring cancellation of the account occur.

A participant whose account has been canceled in accordance with the preceding paragraph shall undertake the account-closing matters pursuant to the rules and regulations prescribed by a CSDE.

#### Article 12

A customer's account may be canceled by a participant when the consignment contract for securities transactions between the parties has been terminated.

#### Article 13

A CSDE shall verify daily with a participant the quantities of securities deposited, withdrawn, and the net balance recorded on the participant's account books.

Should any discrepancies be discovered in such verification, the participant shall cooperate immediately with a CSDE to examine the reasons for such discrepancies and shall make corrections accordingly.

#### Article 14

The participant's account books, the customer's account books, and the entry vouchers shall be maintained for a period of at least 15 years from the entry date.

### CHAPTER III DEPOSIT AND WITHDRAWAL OF SECURITIES

#### Article 15

Securities that can be deposited with a CSDE shall be limited to those actually owned by a participant or its customers.

Stocks whose owners are entitled to defer the payment of tax as provided for in Articles 16 and 17 of the Statute for Upgrading Industries in force prior to the 31 December 1999 amendment, or in Article 13 of the Statute for Encouragement of Investment in force prior to the end of 1990, shall be calculated in the annual income of a CSDE for assessment of income tax.

In order to verify whether a customer has actual ownership of the securities, a participant shall request the customer to submit a purchase-sale confirmation slip or other supporting documents.

Where a customer is appointed, pursuant to applicable laws or regulations, to sell securities that he or she does not own, the relevant participant shall, after the said securities transaction is made, verify the documentation of ownership and power of attorney submitted by the owner. The limitations set forth in the preceding three paragraphs shall not apply.

#### Article 16

Securities deposited with a CSDE by a participant shall be endorsed in blank by the owner, with an "Application Form for Ownership Transfer Registration" attached.

#### Article 17

A participant, upon receiving a customer's delivery of securities for custody, shall record immediately such information including types and quantities of securities and other necessary matters on the customer's passbook and account books, and shall prepare and deliver to the customer a list of the serial numbers of relevant security certificates.

The securities referred to in the preceding paragraph shall be deposited with a CSDE on the date of delivery by the customer. Securities to be deposited by a participant located outside Taipei City or New Taipei City may, however, be deferred until the next business date.

#### Article 18

In depositing the securities with a CSDE, a participant shall prepare a list specifying the serial numbers of the relevant security certificates and the total quantity of securities, and deliver the same to the CSDE within the business hours set by the CSDE.

The list as referred to in the preceding paragraph shall be prepared separately identifying the portions owned by the participant and the customer respectively.

#### Article 19

A CSDE, upon accepting securities deposited by a participant, shall record immediately necessary information on the participant's account books. Where a CSDE believes that securities delivered by a participant are either defective in rights, or subject to legal dispute or any other dispute regarding validity of such securities, the CSDE may refuse to accept such securities. If such defects are discovered after the securities are deposited, the CSDE may either return such securities to the participant or notify the said participant to replace them with non-defective securities.

#### Article 20

The securities deposited with a CSDE shall be held in fungible custody without distinguishing the ownership of participants or of customers, and it is only necessary upon their withdrawal that the securities being returned are of the same type and quantity.

Ownership shares of the securities deposited in aggregate with a CSDE as referred to in the preceding paragraph shall be calculated separately according to the quantity of securities deposited by each participant or its customer(s).

#### Article 21

A customer, upon withdrawing securities deposited with a CSDE, shall present to the participant the passbook and a withdrawal slip which has been properly affixed with a specimen of the chop or signature originally used.

A participant shall, upon receiving a customer's request for withdrawal as referred to in the preceding paragraph, notify the CSDE by keying into the computer information regarding the types and quantities of securities to be withdrawn, and shall submit an application for withdrawal to the CSDE on the same date; the CSDE shall, upon receipt of the application, make necessary record entries on the participant's account books on the following business day.

#### Article 22

In applying to withdraw securities from a CSDE, a participant shall prepare separate withdrawal slips for securities owned by the participant and customer respectively, and record thereon such information including types and quantities of securities and other necessary matters, and deliver them to the CSDE during the time period specified by the CSDE.

#### Article 23

A CSDE shall, upon receiving the withdrawal slips as referred to in the preceding article, on the same day return to the participant the requested securities accompanied with a list specifying the serial numbers of the securities.

#### Article 24

A participant, upon receiving from a CSDE those securities owned by a customer, shall return immediately to the customer the same securities accompanied with a list specifying the serial numbers of the said securities, and make necessary record entries on the customer's account books.

#### Article 25

A participant shall administer the securities deposit and withdrawal procedures separately. Securities to be deposited and withdrawn shall not offset each other.

#### Article 26

The deposit and withdrawal of securities by a participant for settlement of the current sale and purchase transaction shall be made in accordance with the rules prescribed by a CSDE. This Chapter shall not apply thereto.

#### Article 26-1

Where an issuer of securities of the same class delivers securities by book-entry transfer without printing physical certificates of such securities, withdrawal procedures for its customers shall be in accordance with the rules prescribed by the CSDE.

### CHAPTER IV THE BOOK-ENTRY OF SECURITIES

#### Article 27

Unless provided otherwise, customers, while making book-entry settlement of deposited securities, shall present the passbook as well as the specimen

chop/signature for settlement confirmation. The said participant shall then make necessary record entries on each relevant customer's passbook and account book and notify the CSDE of the total amount of securities which the customers are required to deliver to the participant in the transaction.

The CSDE shall, upon receiving notification from the participant, immediately make book-entry transfer of the said securities from the "sub-account of customers" to the "sub-account pending settlement" on such participant's account book.

#### Article 28

Where a customer in the name of the participant directly deposits with a CSDE securities that the customer has consigned to purchase and is entitled to receive, upon completion of the relevant settlement procedures, the participant shall record on the customer's passbook information regarding the types and quantities of securities and other necessary matters, and shall notify the CSDE of the total amount of securities required to be transferred to customers.

After the CSDE has received the said notification from the participant and the said purchased securities have been transferred to the participant's account, the CSDE shall transfer such securities from the "sub-account pending settlement" to the "sub-account of the customers" on the participant's account book and notify such participant.

#### Article 29

While a participant is conducting the settlement for centralized securities which will be delivered by securities firms and securities finance enterprises to the Taiwan Stock exchange or the TPEX, a CSDE shall, in accordance with the "Calculation Table for Settlement" or the "Calculation Table for Delivery," transfer the said securities from the "sub-account pending settlement" on the relevant participants' account books to the accounts of the TWSE or of the TPEX within the prescribed time period for settlement. Where the balance in the account of a securities firm or securities finance enterprise is insufficient for settlement, the CSDE shall nevertheless transfer the existing balance to the account of the TWSE or of the TPEX, and notify the TWSE or the TPEX to take appropriate action on the matter.

For the securities to be delivered by the TWSE or the TPEX to securities firms or securities finance enterprises, the CSDE shall, in accordance with the notification of the TWSE or the TPEX, transfer the said securities to the accounts of securities firms or securities finance enterprises.

When a participant is conducting balance settlement for emerging stock or open-end fund beneficial certificate transactions, for stocks or open-end fund beneficial certificates that shall be delivered by securities firms to a CSDE, the CSDE shall, in accordance with the "Calculation Table for Delivery," transfer the stocks or open-end fund beneficial certificates from the "sub-account pending settlement" on the relevant participants' account books to the account of the CSDE. For stocks or open-end fund beneficial certificates that shall be received by a securities firm from the CSDE, the CSDE shall transfer the stocks or open-end fund beneficial certificates from its account to the account of the securities firm.

When participants conduct real-time gross settlement of emerging stock or

open-end fund beneficial certificate transactions, the CSDE shall, after receiving notice from both participants, transfer the stock or open-end fund beneficial certificates from the selling participant's CSDE account into the buying participant's CSDE account, and shall notify the participants to make the necessary entries into their customer's account books.

#### Article 29-1

When a transfer of securities by a customer, other than on a centralized securities exchange market or an over-the-counter market, is carried out by book-entry transfer, the customer shall submit the transfer information and relevant documentation to the participant along with its request to handle the transfer, in accordance with the provisions of the Criteria Governing Handling of Stock Affairs by Public Stock Companies. The participant shall notify the CSDE by keying into the computer information regarding the securities that should be transferred and delivered from the customer to the transferee, and shall make the necessary entries in the customer's account books.

When the application for transfer of securities under the preceding paragraph is one for transfer of bonds, beneficial securities, or asset-backed securities and not of a private placement nature, the application shall be reviewed and confirmed by the participant; with respect to applications for transfer of other securities, the participant shall submit the transfer information and relevant documentation to the CSDE, and the CSDE shall forward the information and documentation to the issuer for review and confirmation.

Once the securities to be transferred by application have been reviewed and verified as correct by the participant or issuer, the CSDE shall transfer such securities from the "sub-account pending settlement" on the transferor's participant account book to the "sub-account of the customers" on the transferee's participant account book.

The provisions of paragraph 1, the latter part of paragraph 2, and the preceding paragraph shall apply mutatis mutandis to transfers of securities by participants other than on a centralized securities exchange market or an over-the-counter market, with the exception of transfers of bonds, beneficial securities, and asset-backed securities that moreover are not of private placement nature, which transfers shall be reviewed and confirmed by the CSDE.

#### Article 30

Where a customer requests to transfer the balance of securities from the customer's account with one participant to the customer's account with another participant, or transfer it to another person's account under the provisions of any act or regulation, the customer shall submit the account passbook and an account transfer application to the former participant and such participant shall notify the CSDE to transfer the balance to the customer's account with the new participant; provided, this shall not apply where there are other regulatory restrictions regarding the securities for which the application for transfer is made.

The CSDE shall, after making account transfer in accordance with the notification as referred to in the preceding paragraph, record the transaction immediately in the relevant participants' account books, and

notify such participants to record necessary information in the customer's account books.

Where an account transfer referred to in paragraph 1 satisfies any of the following conditions, it is not necessary to submit the account passbook and transfer application to the participant:

1. Where, for securities sold through short sale, a customer requests to make an account transfer to settle the short sale with spot securities.
2. Where a customer requests to make an account transfer of collateral for money borrowing in connection with securities business.
3. Where, in accordance with CSDE provisions for termination of book registration of securities and their replacement with physical securities, a customer requests to make an account transfer to withdraw the balance of securities from the customer's accounts.
4. Where, in compliance with the applicable requirements of the TPEX, a customer requests to make an account transfer to trade international bonds by means of negotiated transaction at a securities firm's place of business.
5. Where a customer requests to make an account transfer to provide securities as collateral for short sales, or to cover shortfalls in margin for margin purchases and short sales.
6. As otherwise provided by an act or regulation or approved by the FSC.

#### Article 30-1

While making book-entry delivery of pledged securities in centralized custody, a customer shall present the passbook and affix its specimen chop or signature on the relevant accounts for the book-entry delivery confirmation. The relevant participant shall then record necessary information on the customer's passbook and account book and notify the CSDE of the amount of securities which the customer is required to deliver to the relevant pledgee.

The CSDE shall, upon receiving the said notification from the said participant, transfer the securities from the "sub-account of the customer" on the pledgor's participant account book to the "sub-account of pledged securities" on the pledgee's participant account book.

Where a participant makes book-entry delivery of its own deposited securities for the purpose of a pledge, the participant shall notify the CSDE to transfer the same amount of securities from the "sub-account of participant's self-owned securities" to the "sub-account of pledged securities" on the pledgee's participant account book.

#### Article 30-2

Where the pledge created by the deposited securities by book-entry delivery is discharged, the participant representing the pledgee shall notify the CSDE to transfer the pledged securities from the "sub-account of pledged securities" on such participant's account book to the "sub-account of the customer" or the "participant's self-owned securities sub-account" on the pledgor's participant account book. The participant of said pledgor shall also make necessary records entries on the customer's account book.

#### Article 30-3

Where the rights of a pledgee over deposited securities are enforced by the court in accordance with compulsory execution procedures, the CSDE shall transfer the pledged securities from the "sub-account of pledged



securities" on the pledgee's participant account book to the account designated by the court for auction or make physical delivery of the securities to the court-designated person.

Where the pledge of deposited securities is enforced by the pledgee's withdrawal of securities or by the pledgee's self conducted auction, the CSDE shall, upon receiving notification from the pledgee's participant, transfer the securities from the "sub-account of pledged securities" on such participant's account book or make book-entry transfer in accordance with the result of auction.

#### Article 30-4

Where the pledgee enforces its rights by acquiring the ownership of pledged securities, the CSDE shall, in accordance with the notice of the pledgee's participant, transfer the securities from the "sub-account of pledged securities" to the "sub-account of participant's self-owned securities" or the "sub-account of the customer" on the pledgee's participant account book. The participant shall record necessary information on the customer's account book.

#### Article 30-5

An issuer that delivers securities by means of book-entry transfer shall compile in a computer medium a list of the names of the securities to be delivered by book-entry transfer, and deliver it to the CSDE before the date of the book-entry transfer delivery, accompanied by the relevant certification for the securities of that issue.

On the transfer date, the CSDE shall transfer the securities into the customer's account with the participant in accordance with the content of the computerized list of the names of the securities to be delivered by book-entry transfer as referred to in the preceding paragraph. If the securities owner has not opened an account with the participant, the securities delivered by book-entry transfer shall be recorded in the "entry sub-account" of the CSDE's issuer account book.

After carrying out delivery by book-entry transfer in accordance with the preceding paragraph, the CSDE shall make the necessary entries in the participant's account book, and notify each participant. Each participant shall then make the necessary entries in their customer's account books. A securities owner referred to paragraph 2 shall first open an account with the participant and carry out transfer of the securities to its account in accordance with CSDE rules prior to carrying out any book-entry transfer procedures for the withdrawal, sale, or pledge of such securities.

#### Article 30-6

While filing for trust registration of securities in centralized custody, a customer shall present the passbook, relevant certifications issued by tax authorities, and trust agreement, will, or relevant documents corroborating the existence of the trust relation. The relevant participant shall, upon confirmation of such documents, then make necessary records on its passbook and on the customer's account book and issue a notification to the CSDE. The CSDE shall, upon receiving the notification from the participant, transfer the securities from the "sub-account of the customer" on the settlor's participant account book to the "participant's self-owned securities sub-account" or "sub-account of the customer" on the trustee's participant account book, and make records of the trust subject matter

accordingly.

#### Article 30-7

The records of trust relations on the CSDE's participant account book or on the participant's customer account book or passbook shall be deemed as "other documents evidencing the rights thereof" under Article 4, paragraph 2 of the Trust Act or Article 20, paragraph 2 of the Trust Enterprise Act.

#### Article 30-8

When securities held in centralized custody are made the object of a trust, and when trust gains therefrom are distributed or the trust relationship is declared unviable, invalidated, voided, rescinded, revoked, amended, or terminated, the participant on the trustee's part shall, annexing relevant certifications, notify the CSDE to transfer the securities from the "participant's self-owned securities sub-account" or "sub-account of the customer" on the participant account book to the "sub-account of the customer" or the "participant's self-owned securities sub-account" on the participant account book of the beneficiary, settlor, or entity designated by the trustee or by the competent authority in charge of the trust industry. The participant on the part of the beneficiary, settlor, or entity designated by the trustee or by the competent authority in charge of the trust industry shall also make necessary records on the customer's account books.

### CHAPTER V EXERCISE OF RIGHTS OF DEPOSITED SECURITIES

#### Article 31

Within two days after the commencement of the issuing company's publicly announced period of suspension of account transfer due to convening of a shareholders' meeting or creditors' meeting, or declaration of dividends, bonuses or other profits, or repayment of principal and payment of interest, a participant shall prepare and submit to the CSDE a list of all securities owners whose securities have been deposited with the CSDE one business day prior to the record date. Such list shall record the names, personal identification card numbers, government uniform invoice numbers, tax ID numbers, residence or domicile, the quantities of securities held by each securities owner, and information relating to trust registrations. The provisions of the preceding paragraph shall apply mutatis mutandis to government bonds and other securities.

#### Article 32

Within three days after the commencement of the issuing company's publicly announced period of suspension of account transfer due to convening of a shareholders' meeting or creditors' meeting, or declaration of dividends, bonuses or other profits, or repayment of principal and payment of interest, a CSDE shall compile such securities owner lists that have been prepared by the participant as referred to in the preceding article and notify the relevant issuing company of such information including serial numbers of the deposited securities, names of securities owners, securities owners' personal identification card numbers or government uniform invoice numbers or tax ID numbers, residence or domicile, the quantities of securities held by each securities owner, and information relating to trust registrations.

Information regarding the serial numbers and total quantities of the deposited securities as referred to in the preceding paragraph shall be

based upon the securities which have been deposited with the CSDE one day prior to commencement of the said period of suspension of account transfer. The provisions of the preceding two paragraphs shall apply mutatis mutandis to government bonds and other securities.

#### CHAPTER VI SUPPLEMENTARY PROVISIONS

##### Article 33

A participant shall appoint a CSDE to handle matters regarding book-entry transfer of securities.

##### Article 34

Matters related to centralized depository, book-entry transfer, and other relevant matters which have not been provided for under these Regulations shall be governed by the business operation rules prescribed by the CSDE.

##### Article 35

The effective date of these Regulations shall be determined by the Commission.

The amendments to these Regulations shall take force from the date of promulgation, with the exception of Article 17 amended and issued on 25 November 2010, which shall take force from 25 December 2010.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System