


Content

Title :	Allowed Ratio of Investment in the Taiwan Securities Market by Offshore Funds Involving the Domestic Securities Market, Sold by Offshore Securities Branches (OSUs), Raised from 30 Percent to 50 Percent (Financial-Supervisory-Securities-Firms-1040036865) 
Date :	2015.10.22
Legislative :	Allowed Ratio of Investment in the Taiwan Securities Market by Offshore Funds Involving the Domestic Securities Market, Sold by Offshore Securities Branches (OSUs), Raised from 30 Percent to 50 Percent (Financial-Supervisory-Securities-Firms-1040036865)
Content :	<p>Order of the Financial Supervisory Commission (FSC)</p> <p>Issue date: 22 October 2015</p> <p>Issue no.: Financial-Supervisory-Securities-Firms-1040036865</p> <p>1. The scope of products offered by an offshore securities branch engaging in the business under Article 22-4, paragraph 1 of the Offshore Banking Act ("the Act") shall be limited to products denominated in foreign currencies. Further, 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. Constituents of the investment portfolio also may not 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 50 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, 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 underlying involves TWSE or TPEX listed single stocks (including stocks and depositary receipts issued overseas by TWSE or TPEX listed enterprises), TWSE or TPEX 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 subparagraphs 1 to 4 above 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 under paragraph 1, subparagraph 1.</p>

2. The parties to whom securities are allocated 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 include non-residents and onshore professional investors. However, the parties to whom foreign currency denominated securities are sold when obtained by the underwriter on a firm commitment basis shall be in accordance with 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 specified in the attached table. The relevant application document and legal compliance statement are attached.
4. When an offshore securities branch conducts the business under 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. The swap shall be denominated, cleared, and settled in foreign currency.
5. When an offshore securities branch conducts the business of foreign currency credit derivatives or credit-linked foreign currency structured products, it shall fully explain the important content of the products and contracts and shall fully disclose the relevant risks, and in addition, it shall also adopt relevant operating directions and establish control systems for risk notification and disclosure and for its 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 is a subsequent default by the domestic enterprise that issued the bond, and the following 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 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 21 November 2014 Order No. Financial-Supervisory-Securities-Firms-1030043860 is repealed from this day forward.

Originals: To be posted on the public notice boards of the FSC and the Securities and Futures Bureau of the FSC

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System