

Content

Title :	Regulations Governing Offshore Securities Branches 
Date :	2015.11.23
Legislative :	<p>1. Full text of 14 articles jointly adopted and issued per 26 December 2013 Order No. Financial-Supervisory-Securities-Firms-1020053236 of the Financial Supervisory Commission and Order No. Taiwan-Central-Foreign-XI-1020050903 of the Central Bank of the Republic of China (Taiwan), for implementation from the date of issuance</p> <p>2. Articles 2 and 3 amended and issued per 23 November 2015 Order No. Financial-Supervisory-Securities-Firms-1040042727 of the Financial Supervisory Commission and Order No. Taiwan-Central-Foreign-XI-1040044394 of the Central Bank of the Republic of China (Taiwan)</p>
Content :	<p>Article 1</p> <p>These Regulations are adopted pursuant to Article 22-6, paragraph 2 of the Offshore Banking Act ("the Act").</p> <p>Article 2</p> <p>If an offshore securities branch has any of the following circumstances, it shall report the matter to the Financial Supervisory Commission (FSC) and notify the Central Bank of the Republic of China (Taiwan) (CBC):</p> <ol style="list-style-type: none"><li>1. Commencement of business.</li><li>2. Material change in business plan.</li><li>3. Occurrence of, or foreseeable, material loss.</li><li>4. Occurrence of material litigation.</li><li>5. Any violation of the Act or of any order issued by the competent authority pursuant to the Act.</li></ol> <p>The matters set forth in subparagraphs 1 and 2 of the preceding paragraph shall be reported before the fact; the matters set forth in subparagraphs 3 to 5 shall be reported within 5 business days from the day the matter is known or the event occurs.</p> <p>The term "business day," as used in these Regulations, means a trading day on the domestic securities markets.</p> <p>Article 3</p> <p>Except as otherwise provided by the competent authority, when an offshore securities branch conducts business with natural persons, juristic persons, government entities, or financial institutions within the territory of the Republic of China (ROC), it shall do so in accordance with the laws and regulations governing the conduct of business by securities firms. When the offshore securities branch conducts business with natural persons, juristic persons, government entities, or financial institutions outside the territory of the ROC, it shall conduct the business in accordance with the applicable rules set out by the competent authority.</p> <p>An offshore securities branch shall adopt an internal control system in accordance with the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets adopted by the FSC.</p> <p>An offshore securities branch shall conduct business operations in</p>

accordance with laws and regulations, its articles of incorporation, as well as the internal control system referred to in the preceding paragraph.

Article 4

The competent authority may at any time assign personnel or engage an appropriate institution to inspect the business operations, financial condition, and other related matters of an offshore securities branch, or may order the securities firm to truthfully submit a financial report, list of properties, or other relevant information or reports of its offshore securities branch.

Article 5

An offshore securities branch, within 3 months after the end of each fiscal year, shall file with the competent authority the balance sheet and the statement of comprehensive income audited and attested by certified public accountants (CPAs), and within 2 months after the end of each fiscal half year, shall file with the competent authority its balance sheet and its statement of comprehensive income audited and attested by CPAs. If the stock of the offshore securities branch's head office is listed on a stock exchange or traded on the over-the-counter market, or the head office is a publicly issued securities subsidiary of a financial holding company, then within 45 days after the end of the first and third quarters of each fiscal year, the offshore securities branch shall also file with the competent authority the balance sheet and the statement of comprehensive income reviewed by CPAs.

An offshore securities branch, within 10 days after the end of each quarter and each month, shall file for recordation with the competent authority the respective quarterly business statements, monthly balance sheets and monthly business statements.

The statements to be filed pursuant to paragraph 1 shall be prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

The format, content, and filing method of the statements to be filed pursuant to paragraph 2 will be prescribed by the FSC in consultation with the CBC.

Article 6

An outward remittance of earnings of an offshore securities branch of a foreign securities firm may be done only after the offshore securities branch's reported earnings, audited and attested by CPAs, have been included in the calculation of the total earnings of all other branches within the ROC of the foreign securities firm and filed with the FSC.

Article 7

An offshore securities branch shall be included in its head office's calculations of net worth, financial ratios, and regulatory capital adequacy ratio, and the ratios required by the FSC shall be maintained. When the net worth, financial ratios, and regulatory capital adequacy ratio of the securities firm are below the FSC's required ratios for a period of 3 consecutive months, the FSC may order it to improve within a prescribed deadline, and if it fails to effect improvement by the deadline, the FSC may suspend all or part of its offshore securities branch's business. The suspended business may be resumed only after the securities firm has maintained the required ratios for 3 consecutive months and has reported to

the FSC for approval. If the securities firm has failed to effect improvement within the deadline, the FSC may void the business license of the offshore securities branch and notify the CBC.

#### Article 8

Time limit on and total balance of foreign currency call loans or financing handled by an offshore securities branch shall comply with the regulations of the competent authority.

An offshore securities branch engaging in securities business may not, except with the approval of the competent authority, conduct trading across foreign currencies with customers, provided that after applying to and receiving permission from the FSC, it may conduct trading across foreign currencies on behalf of its customers. An offshore securities branch, as needed for its securities business, may conduct trading across foreign currencies with designated foreign exchange banks, offshore banking branches, or offshore financial institutions.

#### Article 9

An offshore securities branch that conducts the types of business set out in the subparagraphs of Article 22-4, paragraph 1 of the Act shall do so in compliance with these Regulations, the regulations of the competent authority, the laws and regulations of each local trading market, and the bylaws of the given exchanges and self-regulatory organizations.

#### Article 10

Natural persons and juristic persons within the territory of the ROC as referred to in Article 22-4, paragraph 1 of the Act shall satisfy the qualification requirements for professional investors set by the FSC.

#### Article 11

Neither an offshore securities branch nor its managerial officers or employees may refer an investor to overseas securities firms to open accounts or to trade foreign securities.

The act of making referrals by the managerial officer or employees of an offshore securities branch as referred to in the preceding paragraph shall be deemed as having been authorized by the securities firm.

#### Article 12

An offshore securities branch that conducts foreign currency derivatives business shall first assess the associated risks and benefits, adopt related management strategies and operating rules, and apply to the FSC. After an offshore securities branch has received approval to engage in foreign currency derivatives business, in its handling of any individual foreign currency derivatives, unless specifically 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.

An offshore securities branch that handles foreign currency derivatives for which its head office has already received approval or recordation by the CBC shall submit documentation of that approval or recordation to the FSC for recordation, and notify the CBC.

After an offshore securities branch has received FSC approval to conduct foreign currency derivatives business, it may apply to the FSC to handle

any already permitted foreign currency derivative product. Except as otherwise provided by the competent authority, when an offshore securities branch applies to handle any such product, then if, within a period of 15 days from the day following the date on which it submits the application document, a description of the product's characteristics, a legal compliance statement, and a risk disclosure statement to the FSC and notifies the CBC, neither the FSC nor the CBC has expressed opposition, it may immediately begin to handle that product. The offshore securities branch, however, may not handle the product for which it is applying during the aforementioned 15-day period.

When an offshore securities branch wishes to handle a foreign currency derivative product not yet approved by the FSC, it shall apply to the FSC, and the FSC will approve or reject each individual application after consulting with the CBC.

#### Article 13

A managerial officer of an offshore securities branch must meet the qualification requirements set out in Article 2, paragraph 1 and Article 10, paragraph 1 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms. A person serving in that capacity pursuant to Article 10, paragraph 1, subparagraph 3 of the same Regulations, however, shall possess professional knowledge in the field of international finance or experience in foreign exchange business.

#### Article 14

These Regulations shall come into force from the date of issuance.