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| Title : | Order of the Financial Supervisory Commission (FSC) Issue date: 19 April 2017 Issue number: Financial-Supervisory-Securities-Firms-1060003019 Ch |
| Date : | 2017.04.19 |
| Legislative : | Order of the Financial Supervisory Commission (FSC) Issue date: 19 April 2017 Issue number: Financial-Supervisory-Securities-Firms-1060003019 |
| Content : | <p>1. The term "foreign securities exchange designated by the FSC" in Article 5, paragraph 1 of the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities is defined by paragraph 2 of the same article as being any organized market for securities trading subject to the management of the competent securities authority of the given country, and such a market is further required to have been nominated by the Taiwan Securities Association and designated by the FSC as a market on which securities firms may conduct brokerage trading, and also is required to meet the following conditions:</p> <p>A. When securities firms accept orders from non-professional investors for brokerage trading of foreign securities, the sovereign credit rating of the country where the foreign securities exchange is located shall be at or above a certain grade from a credit rating institution listed in the attached Table 1.</p> <p>B. The competent authority of the foreign securities exchange has signed a supervisory cooperation agreement with the FSC.</p> <p>2. The restrictions of the preceding point do not apply with respect to foreign securities exchanges in cases in which a securities firm accepts orders for brokerage trading of foreign securities from a professional institutional investor that is approved by its competent authority to invest in foreign securities.</p> <p>3. Foreign securities exchanges that the FSC, prior to 14 September 2010, approved for brokerage trading by securities firms are not subject to the restriction of Point 1, subparagraph 2 above.</p> <p>4. The list of foreign securities exchanges designated by the FSC is to be compiled and publicly announced by the Taiwan Securities Association. The Taiwan Securities Association also, on a yearly basis, shall review the list and publicly announce it after submitting it to the FSC and obtaining its approval. On foreign securities exchanges that are no longer FSC-designated exchanges, securities firms may broker only sales of positions held by their customers and may not broker any further purchases on those exchanges.</p> <p>5. In accordance with Article 6, paragraph 1 of the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities, the scope and instruments of foreign securities markets approved for brokerage trading of foreign securities (including FSC-designated foreign securities exchanges and foreign over-the-counter markets) are as follows:</p> <p>A. The scope of "beneficial certificates" under Article 6, paragraph 1, subparagraph 1 of the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities is limited to beneficial certificates of exchange traded funds (ETFs). If the principal is a non-professional investor, any trading of ETFs that have a leveraging or short selling effect shall be limited to positive ETFs leveraged by a multiple not exceeding 2x and short ETFs with an inverse multiple not exceeding 1x, and the principal furthermore shall meet one of the following conditions:</p> <p>a. The principal has already opened a domestic margin account.</p> <p>b. The principal has had at least 10 brokerage trading orders for domestic or foreign call (put) warrants executed within the most recent one year.</p> <p>c. The principal has had at least 10 brokerage trading orders for domestic</p> |

or foreign futures trading contracts executed within the most recent one year.

d. The principal has a record of executed brokerage trading orders for ETFs that have a leveraging or short selling effect and are listed on a domestic or foreign securities market.

B. When a securities firm brokers a trade in foreign securities for a principal that is a non-professional investor, the trade may not involve any securities of the Mainland Area securities market.

C. When a securities firm brokers a trade in foreign central government bonds for a principal that is a non-professional investor, the issuing country must have a sovereign credit rating at or above a certain grade from a credit rating institution listed in the attached Table 1; if the principal is a professional investor, the issuing country must have a sovereign credit rating at or above a certain grade from a credit rating institution listed in the attached Table 3.

D. When a securities firm brokers a transaction in foreign bonds other than those of the preceding subparagraph (including convertible corporate bonds and corporate bonds with warrants) for a principal that is a non-professional investor, the long-term debt credit rating of the issuer or guarantor of the foreign bonds, and the issue rating of the bonds themselves, must be at or above a certain grade from a credit rating institution listed in the attached Table 2; if the principal is a professional investor, the long-term debt credit rating of the issuer or guarantor of the foreign bonds or the issuer rating of the bonds themselves must be at or above a certain grade from a credit rating institution listed in the attached Table 3.

E. When a securities firm brokers transactions in foreign securitization products for a principal that is a non-professional investor, the foreign securitization product must have an issue rating at or above a certain grade from a credit rating institution listed in the attached Table 2, and may not be a re-securitized product or a synthetic securitization product; if the principal is a professional investor, the foreign securitization product must have an issue rating at or above a certain grade from a credit rating institution listed in the attached Table 3.

F. When a securities firm brokers a trade in foreign securities for a principal that is a professional investor, the foreign securities that may be traded are not limited to those obtained in the secondary market, and the securities firm shall adopt mechanisms to prevent conflicts of interest, and further shall exercise care not to violate Article 22 of the Securities and Exchange Act.

G. When a securities firm accepts orders from a discretionary investment account for trading of offshore funds, if the customer of the account meets the conditions set forth in Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act and Article 52, paragraph 1 of the Regulations Governing Offshore Funds, the offshore funds traded need not be limited to those approved by or effectively registered with the FSC for offer and sale in Taiwan.

H. When a securities firm brokers a trade in exchange traded notes (ETNs) traded on a foreign securities exchange, if the principal is a non-professional investor, such trades are limited to ETNs that are linked primarily to stocks, bonds, or commodities (gold only) and that furthermore have neither a leveraging nor a short selling effect.

6. When a securities firm that brokers transactions in offshore ETFs handles subscriptions and redemptions, it may not hold any component stock within the scope of securities set out in subparagraph 2 of the preceding point.

7. This Order is effective from this day forward. FSC Order No. Financial-Supervisory-Securities-Firms-1040048721 of 6 January 2016 is repealed from this day forward.

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Clearing Corporation; Taiwan Securities Association; Securities Investment Trust and Consulting Association of the R.O.C.; Bankers Association of the Republic of China; Trust Association of R.O.C.; Lex Data Information Inc.; Root International Information Co., Ltd.; Winkler Partners, Attorneys at Law (attachments included with all copies)

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System