

Content

Title : Compliance Directions for Futures Commission Merchants Reporting Material Contingencies [Ch](#)

Date : 2023.12.07

Legislative : 1. Full text of 5 points adopted and issued per 7 December 2023 Order No. Financial-Supervisory-Securities-Futures-1120359909 of the Financial Supervisory Commission; for immediate effect

Content :

Article 1

These Directions are adopted to implement the provision of Article 8, paragraph 1, subparagraph 16 of the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets.

Article 2

"Material contingency" means any of the following events sufficient to affect the reputation of a futures commission merchant, jeopardize the normal operations of the futures commission merchant, cause damage to customers' rights and interests, or affect financial order.

1. Man-made or natural disaster (e.g., earthquake, flood, fire, wind disaster, etc.).
2. Fraud case involving poor internal controls, or occurrence of a material deficiency in operations.
3. Security maintenance related (e.g., robbery, major theft, vandalism of business premises or equipment, or intimidation, etc.)
4. Material deficiency or loss in business or finances.
5. Media reporting on a matter that may affect the reputation or operations of the business.
6. Occurrence of a material information security incident.
7. Violation of anti-money laundering or counter-terrorism financing regulations by a related enterprise in which the futures commission merchant has made overseas investment.
8. A material credit risk case overseas or in the mainland China area, in which the assessed claims or loss on investment reaches the equivalent of US\$10 million or more.
9. Other material event.

Material contingencies under the preceding paragraph are not limited by the amount of loss as an absolute requirement. Non-quantifiable events that do not result in any monetary loss, but affect the reputation of the futures commission merchant, or jeopardize the normal operation of the futures commission merchant, or the financial order, also constitute material contingencies.

If an overseas or mainland China subsidiary or branch of a Taiwan-based futures commission merchant has any event requiring reporting as set out in paragraph 1, the head office of the futures commission merchant shall handle the reporting matters.

Article 3

When a futures commission merchant experiences any material contingency, it shall immediately notify relevant agencies to take emergency remedial measures. In addition to complying with the Operation Directions for Information Security Event Reporting and Response in Securities and Futures Markets and the Taiwan Futures Exchange (TAIFEX) Futures Commission Merchant Material Information Security Event Reporting Procedures and Other Compliance Directions in the case of an event under paragraph 1,

subparagraph 6, the futures commission merchant shall follow the reporting procedures set out in the Attachment hereto and promptly report to the TAIFEX, whereupon the TAIFEX shall forward the report to the Financial Supervisory Commission (FSC).

Article 4

A futures commission merchant shall, within 7 business days counting from the day after reporting a material contingency, submit to the TAIFEX a written report of the detailed information (including the investigation content, handling methods, and improvement measures) or the status of follow-up action taken, which the TAIFEX shall forward to the FSC. If due to a force majeure event the futures commission merchant is unable to submit the written report within 7 business days, the deadline for the written report may be extended by reporting to the TAIFEX and obtaining approval.

Article 5

All of the points above shall be incorporated into a futures commission merchant's internal control and audit systems and scrupulously implemented. In the event of violation, the FSC may impose sanctions depending on the seriousness of the circumstances.

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