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| Title： | Standards Governing the Establishment of Futures Clearing Houses Ch |
| Date： | 2000.09.11 |
| Legislative： | 1. Promulgated by the Securities and Futures Commission on May 30, 1997 per order Ref. No. (86)-Taiwan-Finance-Securities-(V)-03226<br>2. Articles 14, 15, and 18 amended and issued per 11 September 2000 Order No. (89)-Taiwan-Finance-Securities-VII-03264 of the Securities and Futures Commission, Ministry of Finance, for implementation from date of issuance |
| Content： | Chapter I General Provisions<br>Article 1<br>These Criteria are prescribed in accordance with the provisions of Paragraph 2 of Article 45 and Article 55 of the Futures Trading Law (the "Law").<br>Article 2<br>The organization of a futures clearing house shall be incorporated as a company limited by shares except one which is operated concurrently by the Futures Exchange or other institutions.<br>Chapter II Establishment of A Futures Clearing House<br>Article 3<br>The minimum paid-in capital of a futures clearing house shall be NT$1 billion.<br>Article 4<br>When applying for approval and license, the promoters of a futures clearing house shall deposit NT$200 million with a bank designated by the Securities and Futures Commission ("the Commission"). The deposit may be in the form of government bonds or financial bonds.<br>The financial institution of the preceding paragraph shall be a bank which has been approved by the Ministry of Finance to operate custodial business.<br>The deposit of paragraph 1 shall not be utilized until after a permit is granted and the incorporation registration is completed, and except when the application is withdrawn, approval for establishment is not granted, or the approval is voided, and the Commission notifies the applicant to retrieve the deposit, the deposit may not be separately deposited in different institutions, reported lost or rescinded. No security interest may be created on either the subject deposit or the custody receipts issued for it, and the deposit may not be withdrawn or substituted except with the consent of the Commission.<br>Article 5<br>For a futures clearing house applying for permission of establishment, the promoters shall file an application with the following documents to the Commission:<br>1. the application form (as per attachment 1);<br>2. the articles of incorporation;<br>3. the list of promoters (as per attachment 2), minutes of the promoters meeting and a statement declaring inapplicability of Article 28 of the Law; |

4. explanations on the business floor, personnel, hardware and software equipment;
5. a certificate proving that the promoters have been approved by the government authority in charge, if it is so required;
6. a certificate proving that the deposit as required in the first Paragraph of the preceding Article has been made;
7. a business plan which specifies: the principles of business operation, the division of internal organization, the recruitment and training of personnel, its financial projections for the year commencing operation and the following year;
8. a certificate issued by the Futures Exchange or other institutions authorized by the competent authority to provide other futures markets proving that such institution has consigned it to process clearing and informational exchange;
9. other documents that the Commission requires.

Article 6

Where those applying for permission to establish a futures clearing house have any of the following conditions, no approval shall be granted:
1. the application itself and the accompanying documents are incomplete or are insufficient, and no correction has been made within the time period so notified;
2. entering false or untrue information on the application;
3. having a possibility to violate the public interests or affect the sound development of futures market; or
4. other matters which are in violation of the provisions of the Law or the restrictions or prohibition in these Criteria.

Article 7

The promoters shall incorporate a futures clearing house within six months following approval of this Commission, then file an application with the following documents to this Commission for issuance of a business license:
1. the application form (as per attachment 3);
2. the photocopy of the company license;
3. the articles of incorporation and business by-laws;
4. the balance sheet of assets and liabilities for the month immediately before the application duly reviewed and audited by a CPA;
5. the list of shareholders;
6. the list of directors, supervisor(s) and managers, and photocopies of their qualifications and identification papers;
7. registration form for directors, supervisor(s), and managers (as per attachment 4) and a statement declaring inapplicability of Article 28 of the Law;
8. minutes of the board of directors meeting;
9. the certificate proving that the business bond has already been made;
10. the proper documentation affirming smooth operation of the business floor and equipment;
11. qualifications and name list of clearance personnel;
12. internal control and auditing system; and
13. other documents that this Commission requires.

The approval for the incorporation of a futures clearing house shall be revoked if the said futures clearing house fails to apply for the license

within the duration prescribed in the preceding Paragraph. The duration prescribed in the preceding Paragraph may be extended, however, should the futures clearing house apply to this Commission, with just cause, prior to expiration of the duration. Such an extension shall not be more than six month, and the extension shall be limited to one.

Article 8

Where a futures clearing house applying for issuance of a business license having any of the following situations, no license shall be granted:

1. the application itself or the accompanying documents are incomplete or are insufficient, and no correction has been made within the time period so notified ;
2. entering false or untrue information on the application;
3. having no sufficient business floor and proper equipment to operate its business;
4. having no qualified personnel to operate its business;
5. having a possibility to violate the public interests or affect the sound development of futures market; or
6. other matters which are in violation of the provisions of the Law or the restrictions or prohibitions of these Criteria.

In order to evaluate the situations specified in Item 3 above, this Commission may order the said futures clearing house to have a professional or fair person to proceed with the evaluation and to issue an appraisal report.

## Chapter III Futures Exchange and other Institutions Applying for Permission to Concurrently Operate Futures Clearance Business

Article 9

The Futures Exchange or other institutions applying for permission to concurrently operate futures clearance business shall first obtain an approval in the name of the Futures Exchange or other institutions from the government authority in charge.

Article 10

The Futures Exchange or other institutions applying for permission to concurrently operate futures clearance business shall pursuant to the amount specified in Article 3 appropriate same amount as operating capital; if the paid-in capital is insufficient, it shall proceed with a capital increase.

Article 11

The Futures Exchange or other institutions applying for permission to concurrently operate futures clearance business shall establish a separate department to handle the futures clearance business.

The department so established shall have separate business, and financial and accounting books and records.

Article 12

The Futures Exchange applying for permission to concurrently operate futures clearance business shall file an application with the following documents with this Commission:

1. the application form (as per Attachment 5);
2. the articles of incorporation and business by-laws;
3. explanations to the business floor, personnel and software and hardware equipment;

4. the certificate proving a deposit has been made pursuant to Paragraph 1 of Article 4;
5. business plan specifying the division of internal organization, personnel recruitment and training, the financial projections for the year commencing business operation and the immediately following year;
6. internal control and auditing system; and
7. other documents that this Commission may so require.
Other institutions applying for permission to concurrently operate futures clearance business shall, apart from the documents listed above, submit the following documents to this Commission for approval:
1. the photocopy of company license;
2. the articles of incorporation;
3. the most recent financial statements duly audited by a CPA;
4. the list of shareholders;
5. the list of directors, supervisor(s) and managers and photocopies of their qualifications and identification papers;
6. registration form (as per attachment 4) of the directors, supervisor(s) and managers and a statement declaring inapplicability of Article 28 of the Law; and
7. minutes of the board of directors meeting.
Article 13
The Futures Exchange or other institutions applying for permission to concurrently operate futures clearance business shall within six month after approval by this Commission file an application with the following documents with this Commission for issuance of business license:
1. the application form (as per attachment 7);
2. the photocopy of the company license;
3. the articles of incorporation;
4. the balance sheet of assets and liabilities one month before application duly audited by a CPA;
5. the list of shareholders;
6. the list of directors, supervisor(s) and managers and photocopies of their qualifications and identification papers;
7. registration form (as per attachment 4) of the directors, supervisor(s) and managers and a statement declaring inapplicability of Article 28 of the Law;
8. the certificate proving that the business bond has already been deposited;
9. the certificate affirming smooth operation of business floor and equipment;
10. qualifications and name list of clearance personnel; and
11. other documents that this Commission may so require.
The approval for permission to concurrently operate futures clearance business shall be revoked if the said Futures Exchange or other institutions fails to apply for the business license within the duration prescribed in the preceding Paragraph. The duration prescribed in the preceding Paragraph may be extended, however, should the Futures Exchange or other institutions apply to this Commission, with just cause, prior to expiration of the duration. Such an extension shall not be more than six months, and the extension shall be limited to one.

Article 14
The provisions of Article 6 and Article 8 shall apply mutatis mutandis to Futures Exchange or other institutions applying for permission to concurrently operate futures clearance business.
Article 15
Other institutions applying for permission to concurrently operate futures clearance business shall upon filing an application with this Commission deposit NT$200 million with a financial institution designated by this Commission. The deposit may be in the form of government bonds or financial bonds.
The financial institution of the preceding paragraph shall be a bank which has been approved by the Ministry of Finance to operate custodial business.
The deposit of paragraph 1 shall not be utilized until after a permit is granted, and except when the application is withdrawn, approval for establishment is not granted, or the approval is voided, and the Commission notifies the applicant to retrieve the deposit, the deposit may not be separately deposited in different institutions, reported lost or rescinded.
No security interest may be created on either the subject deposit or the custody receipts issued for it, and the deposit may not be withdrawn or substituted except with the consent of the Commission.

Chapter IV Supplementary Provisions

Article 16
A futures clearing house wishing to change its registered items shall file an amendment registration application with relevant documents to this Commission for approval of the change.
Article 17
A futures clearing house applying for a business license shall pay license fee; for a newly incorporated futures clearing house, the license fee shall be charged at 0.25% of its paid-in capital; for the Futures Exchange or other institutions concurrently operating futures clearance business, the license fee shall be charged at 0.25% of the dedicated operating capital so appropriated.
Article 18
These Criteria shall come into effect on June 1, 1997.
Amendments to these Criteria shall come into effect from the date of their issuance.

Data Source：Financial Supervisory Commission Laws and Regulations Retrieving System