


## Content

Title :	Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants 
Date :	2014.09.11
Legislative :	<p>1. Full text of 34 articles adopted and issued per 12 December 2002 Order No. Taiwan-Finance-Securities-VII-0910006141 of the Securities and Futures Commission, Ministry of Finance; for implementation from the date of issuance</p> <p>2. Articles 10, 13 to 15, 17, 18, 20, 24, 25, 28, and 30 amended and issued per 18 March 2003 Order No. Taiwan-Finance-Securities-VII-0920001103 of the Securities and Futures Commission, Ministry of Finance</p> <p>3. Articles 2, 6, 7, 13 to 17, 21, 24, and 34 and title of Chapter VI amended, Article 32-1 added, with all the preceding changes issued per 29 September 2005 Order No. Financial-Supervisory-Securities-VII-0940004333 of the Financial Supervisory Commission, Executive Yuan; for implementation from 1 January 2006</p> <p>4. Articles 13 to 15, 17, 23, 24, 27, and 34 amended and issued per 4 May 2007 Order No. Financial-Supervisory-Securities-VII-0960018954 of the Financial Supervisory Commission, Executive Yuan; for implementation from 1 January 2007</p> <p>5. Articles 3, 13, 14, 17, and 24 amended and issued per 12 February 2009 Order No. Financial-Supervisory-Securities-VII-0980004396 of the Financial Supervisory Commission, Executive Yuan</p> <p>6. Articles 13 and 25 amended and issued per 14 May 2009 Order No. Financial-Supervisory-Securities-II-0980017922 of the Financial Supervisory Commission, Executive Yuan</p> <p>7. Article 25 and Form 13-2 amended and issued per 28 August 2009 Order No. Financial-Supervisory-Securities-Firms-0980043806 of the Financial Supervisory Commission, Executive Yuan</p> <p>8. Full text of 39 articles amended and issued per 15 August 2011 Order No. Financial-Supervisory-Securities-Futures-1000038169 of the Financial Supervisory Commission, Executive Yuan; for enforcement from 1 January 2013</p> <p>9. Articles 14 to 16, 18, 27, and 29 amended and issued, and Article 37-1 added, per 29 December 2011 Order No. Financial-Supervisory-Securities-Futures-1000062549 of the Financial Supervisory Commission, Executive Yuan; for enforcement from 1 January 2013</p> <p>10. Articles 12 and 39 amended and issued per 12 July 2012 Order No. Financial-Supervisory-Securities-Futures-1010030979 of the Financial Supervisory Commission; for implementation from the fiscal year of 2013</p> <p>11. Articles 2, 9, 10, 14, 24, 30, 37, and 39 amended and issued per 5 February 2014 Order No. Financial-Supervisory-Securities-Firms-1030001538 of the Financial Supervisory Commission; for enforcement from 1 January 2014</p> <p>12. Full text of 41 Articles amended and issued per 11 September 2014 Order No. Financial-Supervisory-Securities-Firms-1030034680 of the Financial Supervisory Commission; for enforcement from the date of issuance, with the exception of Articles 4, 7, 13 to 19, 22, 24, 26, 27, 35, and 37, and Article 12, paragraph 1, which will come into force from the beginning of financial year 2015</p>
Content :	<p>Chapter I General Principles</p> <p>Article 1</p> <p>These Regulations are adopted under Article 97, paragraph 2 of the Futures Trading Act.</p> <p>Article 2</p> <p>The financial reports of a futures commission merchant (FCM) shall be</p>

prepared in accordance with these Regulations and other applicable laws and regulations. Matters not provided for therein shall be governed by generally accepted accounting principles (GAAP).

The GAAP described in the preceding paragraph shall mean the following, as recognized by the Financial Supervisory Commission (FSC): International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

The accounting matters of an FCM based on which the financial reports are prepared shall be governed by the Business Accounting Act and other applicable laws and regulations.

#### Article 3

When an FCM operates both futures brokerage and futures dealing businesses in accordance with applicable requirements, the accounting matters for each such business shall be handled separately. When an FCM concurrently operates securities business pursuant to Article 45, paragraph 2 of the Securities and Exchange Act, the accounting matters and financial reports for its securities segment shall be governed by applicable securities and exchange laws and regulations.

When an FCM concurrently operates a managed futures enterprise pursuant to Article 15 of the Standards Governing the Establishment of Managed Futures Enterprises, it shall prepare financial reports for its discretionary futures trading segment in accordance with Article 21 of the Regulations Governing Managed Futures Enterprises.

When an enterprise from another industry concurrently conducts futures business pursuant to Article 57 of the Futures Trading Act, if the treatment of its accounting matters is subject to other applicable laws and regulations of the competent authority in charge of that industry, those laws and regulations shall govern. However, accounting matters and financial reports for its futures operations shall still be governed by these Regulations.

#### Article 4

An FCM shall establish, and amend when necessary, an accounting system based on the nature of its accounting matters, the actual status and development of its business, and its management needs, and have such available for audit in the future.

The accounting system referred to in the preceding paragraph shall, based on the nature of the FCM's business operations, and in a way that meets the needs of preparation of the consolidated financial reports and uniformity in the accounting policies of the FCM and its subsidiaries, separately provide a general description of the accounting system, a chart of journals and ledgers, descriptions and uses of accounting items, accounting documents, account books, and accounting reports, accounting procedures, and finance and payment/disbursement operations.

The FCM shall see to it that its subsidiaries establish their accounting systems in accordance with the preceding paragraph.

#### Article 5

The appointment and discharge of the in-charge accountant of a domestic FCM shall be approved by a majority of the directors present at a board of

directors meeting attended by a majority of the directors.

A branch office managerial officer authorized by the head office may have sole discretion to appoint and discharge the in-charge accountant of a foreign FCM.

#### Article 6

Except in the case of a foreign FCM or except as otherwise approved by the FSC, an FCM shall use the calendar year as its financial year, with accounts closed on June 30 for the first half of the financial year and on December 31 for the whole financial year.

The accrual basis of accounting shall be used.

Accounts shall be expressed in New Taiwan Dollars (NT\$).

Financial statements shall be presented in thousands of NT dollars.

#### Article 7

"Financial reports" shall mean financial statements, statements of major accounting items, and any other disclosures and explanatory information within the scope of these Regulations that are helpful to the decision making of users.

A complete set of financial statements shall comprise a balance sheet, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and their accompanying notes or supplementary schedules.

An FCM, unless newly established, or under any of the circumstances set out in paragraph 4 herein, or otherwise required by the FSC, shall prepare the major financial statements and notes described in the preceding paragraph by presenting comparative information for two consecutive periods, and the major financial statements shall also be signed or sealed on each page by the FCM's responsible person, managerial officer, and in-charge accountant. However, an FCM having the status of public company shall be subject to Article 14, paragraph 3 of the Securities and Exchange Act.

When an FCM applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial reports, or when it reclassifies items in its financial reports, it shall do so in accordance with the applicable provisions of IAS 1.

#### Article 8

If an enterprise from another industry concurrently conducts futures business, when preparing financial reports in accordance with the requirements of the competent authority in charge of that industry, it shall additionally disclose a balance sheet, a statement of comprehensive income, accompanying notes, and statements of major accounting items for the independent futures segment prepared in accordance with these Regulations.

#### Article 9

Financial reports shall present fairly the financial position, financial performance, and cash flows of an FCM without being misleading to an interested party in making judgments and decisions.

If a financial report violates these Regulations or any other applicable requirements, for which the FSC as a result of an audit gives a notice requiring adjustment to be made, the FCM shall make the required adjustment and correction. If the adjusted amount reaches a level specified in Article 6 of the Securities and Exchange Act Enforcement Rules, the financial

report shall be restated and be redisclosed publicly, together with a description of the reasons, items, and amount specified in the FSC notice for adjustment. If the corrected amount of the comprehensive income, or of any individual asset line item in the balance sheet (not including reclassified items), does not reach the above threshold, the FCM need not restate the financial report but nevertheless shall present the amount as a correction to retained earnings, other comprehensive income, or the individual asset line item in the balance sheet.

#### Article 10

The following shall apply when an FCM makes an accounting change:

##### 1.Change in accounting policy:

A.When an FCM changes an accounting policy voluntarily in a new financial year in order to produce financial reports that provide reliable and more relevant information about the effects of transactions or other events or conditions on the FCM's financial position, financial performance, or cash flows, it shall request a certified public accountant (CPA) to provide an item-by-item analysis and review opinion on the reasonableness of the nature of the change in accounting policy, the reasons why applying the new accounting policy provides reliable and more relevant information, each line item affected and the estimated effect for the financial year preceding the latest financial year affected by retrospective application of the new accounting policy, and the actual effect on the opening balance of retained earnings for the immediately preceding financial year. These shall be submitted as a proposal for adoption by resolution of the board of directors, after which they shall be submitted to the FSC for approval. Upon approval by the FSC, the FCM shall publicly disclose and file information on the estimated effect arising from the application of the new accounting policy and the CPA review opinion.

B.If, for the voluntary change in accounting policy in the new financial year, it is impracticable to determine either the period-specific effects or the cumulative effect of the change, as described in paragraph 23 of IAS 8, the FCM shall calculate the effects in accordance with paragraph 24 of IAS 8 and the preceding item above, and shall request a CPA to provide an item-by-item analysis and review opinion on the reasonableness of the reasons why retrospective application is impracticable and how and from when the change in accounting policy has been applied, and also provide an opinion on the impact on the audit opinion for the financial year preceding the change in accounting policy. The FCM shall then follow the procedure described above.

C.Unless it is impracticable to determine the effects as described in the preceding item, then within 2 months after the beginning of the financial year in which the new accounting policy is adopted, the FCM shall calculate the line items affected and the actual effect for the financial year preceding the latest financial year affected by retrospective application of the new accounting policy and the actual effect on the opening balance of retained earnings for the immediately preceding financial year, and shall submit those for adoption by the board of directors, after which they shall be publicly disclosed and filed and submitted to the FSC for recordation. If the difference between the actual effect of the change in accounting policy and the original estimated effect is NT\$10 million or

more, and is also 1 percent or more of the income for the immediately preceding financial year or 5 percent or more of paid-in capital, the FCM shall analyze the reasons for the difference and request a CPA to provide an opinion on its reasonableness. The analysis and the CPA's opinion shall also be publicly disclosed and filed with the FSC.

D.Except when an FCM applies a new accounting policy to newly purchased assets, in which case the provisions of the preceding items need not be applied, and except when, after the beginning of a financial year, an FCM voluntarily changes an accounting policy during the year in which regulatory adjustments have come into force, in which case the FCM shall request a CPA to issue a review opinion and submit it for adoption by the board of directors and publicly disclose it and then shall file the review opinion and relevant materials with the FSC for recordation, if a change in accounting policy is applied without having been duly filed for approval, the financial reports for the financial year in which the new accounting policy was applied shall be restated, and the new accounting policy may only be applied from the next financial year after a supplementary submission has been made and approved.

E.In the case of an FCM whose shares have a par value other than NT\$10, in the calculation of the 5 percent of paid-in capital under item C, 2.5 percent of the equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

2.With respect to any matter among accounting estimates relating to a change in the useful life or depreciation method of depreciable assets, a change in the amortization period or amortization method of intangible assets, or a change in the residual value of any such assets, in addition to complying with item D of the preceding subparagraph, the FCM shall request a CPA to provide an analysis and review opinion on the reasonableness of the nature of the changes in accounting estimates and the reasons why the changes in accounting estimates can provide reliable and more relevant information. The changes in accounting estimates shall then be submitted as a proposal for adoption by resolution of the board of directors, and then submitted to the FSC for approval.

The expression "public disclosure and filing" or "publicly disclose and file" as used in the preceding paragraph means entering the information into the website designated by the FSC for the submission of electronic filings.

#### Article 11

Unless otherwise required by the FSC, the records retention period for the financial reports identified in these Regulations, or for the accounting documents, journals, ledgers, deeds, vouchers, and books based on which the financial reports are prepared, shall be subject to the Business Accounting Act.

#### Article 12

An FCM shall prepare consolidated financial reports in accordance with Chapter II of these Regulations and IFRS 10, and shall prepare annual parent company only financial reports in accordance with Chapter IV of these Regulations.

An FCM that does not have a subsidiary shall prepare individual financial reports in accordance with Chapter II of these Regulations, and when

preparing annual financial reports shall follow the provisions of Articles 29 to 34 of these Regulations.

An FCM preparing interim financial reports shall follow the provisions of Chapters II and III of these Regulations as well as IAS 34. When an FCM prepares semi-annual financial reports, it shall also prepare semi-annual parent company only financial reports pursuant to the provisions of Articles 27 to 29, or semi-annual individual financial reports pursuant to Article 29.

#### Article 13

The meaning of "parent," "subsidiary," "associate," and "joint arrangement" as used in these Regulations shall be determined in accordance with IFRS 10 and 11, and IAS 28.

The meaning of "control," "significant influence," or "joint control" as used in these Regulations shall be determined in accordance with IFRS 10 and 11, and IAS 28.

### Chapter II Financial Reports

#### Section I Balance Sheet

#### Article 14

Assets shall be properly classified. Current and non-current assets shall be distinguished.

For each asset line item, the total amount expected to be recovered within 12 months after the balance sheet date and the total amount expected to be recovered more than 12 months after the balance sheet date shall be separately presented in the financial reports or disclosed in the notes.

Current asset means that the FCM expects to realize the asset, or intends to sell or consume it, in its normal operating cycle; that it holds the asset primarily for the purpose of trading; that it expects to realize the asset within 12 months after the balance sheet date; or that the asset is cash or a cash equivalent, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date. As a minimum, current assets shall include the following asset line items:>

##### 1.Cash and cash equivalents:

A.Cash on hand, demand deposits, and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

B.An FCM shall disclose the components of cash and cash equivalents and the policy which it adopts in determining the composition of cash and cash equivalents.

##### 2.Financial assets at fair value through profit or loss - current:

###### A.Financial assets held for trading.

a.Assets that are acquired principally for the purpose of sale in the near term.

b.Assets that, upon initial recognition, are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

c.Assets that are derivative financial assets, except for derivative financial assets that are financial guarantee contracts or designated and effective hedging instruments.

B.Financial assets that, except for those designated as hedged items under

hedge accounting requirements, are designated upon initial recognition as at fair value through profit or loss.

C. Financial assets at fair value through profit or loss shall be measured at fair value.

D. Financial assets at fair value through profit or loss shall be recorded under the category of securities, open-end funds, money market instruments, options contracts, or futures trading margins.

E. "Futures trading margins - securities" means securities posted as trading margins or premiums by an FCM conducting futures dealing business, or by a domestic enterprise exclusively engaged in futures brokerage business that conducts futures trading with its own funds.

F. "Futures trading margins - securities" means securities posted as trading margins or premiums by an FCM conducting futures dealing business, or by a domestic enterprise exclusively engaged in futures brokerage business that conducts futures trading with its own funds.

G. "Futures margins - own funds" means trading margins and premiums, and the related settlement differences, paid by an FCM conducting futures dealing business, or by a domestic enterprise exclusively engaged in futures brokerage business that conducts futures trading with its own funds.

H. "Bought options" means premiums paid by an FCM to buy options contracts or futures options contracts.

3. Available-for-sale financial assets - current:

A. Financial assets that are not derivative financial assets and are designated as available-for-sale.

B. Financial assets that are neither derivative financial assets nor any of the following:

- a. Financial assets measured at fair value through profit or loss.
- b. Held-to-maturity financial assets.
- c. Financial assets measured at cost.
- d. Debt instrument investments for which no active market exists.
- e. Receivables.

C. Available-for-sale financial assets shall be measured at fair value.

4. Derivative financial assets for hedging - current: Any derivative financial asset that is a designated and effective hedging instrument under hedge accounting requirements. Any such asset shall be measured at fair value.

5. Financial assets measured at cost - current: Financial assets that meet all of the following conditions:

A. An investment in equity instruments that do not have a quoted price in an active market, or a derivative instrument that is linked to such equity instruments that do not have a quoted price in an active market and that shall be settled by delivery of such equity instruments.

B. The fair value cannot be reliably measured.

6. Debt instrument investments for which no active market exists - current:

A. Debt instrument investments that do not have a quoted price in an active market and with fixed or determinable payments, and that meet all of the following conditions:

- a. Not classified as at fair value through profit or loss.
- b. Not designated as available-for-sale.
- c. There are no other reasons except for credit worsening that are likely to

cause the holder to not be able to recover almost all of the original investments.

B. Debt instrument investments for which no active market exists shall be measured at amortized cost.

7. Customer margin accounts: Trading margins and premiums, and the related settlement differences, collected from futures traders in accordance with applicable requirements by an FCM conducting futures brokerage business. When the balance of customer margin accounts does not match that of futures traders' equity, the reason for the difference shall be indicated in the notes.

8. Futures trading margins receivable: Any amount to be recovered by an FCM for a debit balance in futures traders' equity.

As of each balance sheet date an assessment shall be made of whether there is any unrecoverable amount from futures trading margins receivable, and an appropriate allowance for doubtful debts shall be made, with the result presented on a net basis.

9. Deposits for securities borrowed: Guarantee amounts deposited in Securities Borrowing and Lending transactions, either for borrowing underlying securities from the holders or for short selling on an exchange market.

10. Collateral for securities borrowed: Collateral posted in Securities Borrowing and Lending transactions, either for borrowing underlying securities from the holders or for short selling on an exchange market.

11. Trade receivables mean claims resulting from business operations.

A. Trade receivables shall be measured at amortized cost using the effective interest method. However, short-term trade receivables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial.

B. With respect to discounted or transferred trade receivables, an assessment shall be made to determine whether the risks and rewards of the trade receivables, and the control retained over them, will qualify them for derecognition under IAS 39, and the trade receivables shall then be disclosed in accordance with IFRS 7.

C. Trade receivables from related parties in significant amounts shall be presented separately.

D. As of each balance sheet date an assessment shall be made of whether there is any uncollectible amount from trade receivables and an appropriate allowance for doubtful debts shall be made, with the result presented on a net basis.

12. Other receivables: Receivables other than trade receivables, including claims arising from out-trades. As of each balance sheet date an assessment shall be made of whether there is any unrecoverable amount from other receivables and an appropriate allowance for doubtful debts shall be made, with the result presented on a net basis.

13. Current tax assets: The portion of the tax amount already paid in respect of current and prior periods that exceeds the amount due for those periods.

14. Prepayments: All prepayments and prepaid expenses.

15. Non-current assets held for sale:

A. Any non-current asset, or asset included in a disposal group held for



sale, that is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups, and whose sale must be highly probable.

B.The measurement, presentation, and disclosure of non-current assets held for sale and disposal groups held for sale shall be made in accordance with IFRS 5.

C.When non-current assets or disposal groups classified as held for sale no longer meet the criteria in IFRS 5, they shall cease to be classified as held for sale.

16.Other current assets: Current assets not attributable to any of the classes above.

Non-current assets: Tangible, intangible and financial assets of a long-term nature, other than assets classified as current. As a minimum, non-current assets shall include the following asset line items:

1.Held-to-maturity financial assets - non-current:

A.A non-derivative financial asset with fixed or determinable payments and fixed maturity, and which the enterprise has the positive intention and ability to hold to maturity, excluding the following items:

a.Assets that are designated, upon initial recognition, as at fair value through profit or loss.

b.Assets that are designated as available-for-sale.

c.Assets that meet the definition of loans and receivables.

B.Held-to-maturity financial assets shall be measured at amortized cost using the effective interest method.

2.Investments accounted for using the equity method:

A.The valuation and presentation of investments accounted for using the equity method shall be made in accordance with IAS 28.

B.When investment gain or loss is recognized, if the financial reports prepared by an associate do not conform to these Regulations, those financial reports shall first be adjusted to achieve conformance before they may be used to recognize investment gain or loss. The financial reports of an associate used in applying the equity method shall be prepared as of the same date as that of the investor, and if prepared as of a different date, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the investor's financial reports. In no case shall there be more than 3 months difference between the balance sheet date of the associate and that of the investor. If a CPA determines, pursuant to Statement of Auditing Standards No. 51, that an associate has a material effect on the fair presentation of the financial reports of an investor, the financial reports of the associate shall be audited by a CPA in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards.

C.If an investment accounted for using the equity method is pledged as collateral or otherwise subject to any restriction or limitation, that fact shall be noted.

3.Property and equipment:

A.Tangible asset items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than 1 financial year.

B. Property and equipment shall be subsequently measured using the cost model and accounted for in accordance with IAS 16.

C. Each component of property and equipment that is significant shall be depreciated separately.

D. When items of property and equipment have different useful lives, or provide economic benefits in different ways, or are subject to different depreciation methods or depreciation rates, the notes to the financial reports shall show each class of their material components.

4. Investment property:

A. Property held, by the owner or by the lessee under a finance lease, to earn rentals, or for capital appreciation, or both.

B. Investment property shall be accounted for in accordance with IAS 40. If the investment property is subsequently measured at fair value, the valuation model, qualifications of the appraiser, and information disclosure shall comply with Article 9, paragraph 4, subparagraph 4 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

5. Intangible assets:

A. An identifiable non-monetary asset without physical substance that meets the definition of identifiability, control by an entity, and existence of future economic benefits.

B. Intangible assets shall be subsequently measured using the cost model and accounted for in accordance with IAS 38.

6. Deferred tax assets: The amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits.

7. Other non-current assets: Non-current assets not attributable to any of the classes above. The major line items under other non-current assets are as follows:

A. Operating bond: The operating bond deposited in accordance with Article 60 of the Futures Trading Act.

B. Settlement and clearing funds: Settlement and clearing funds deposited in accordance with the Futures Trading Act and other applicable requirements.

C. Refundable deposits: All other guarantee deposits paid out as refundable deposits.

D. Deferred debits: Long-term prepaid expenses that have future economic benefits and are required to be amortized over future periods.

E. Accounts with branches: To be used when there is a debit balance in transactions between the head office and branches, if an FCM has branches.

F. Accounts with head office: To be used when there is a debit balance in transactions between the branches and head office of an FCM.

G. Intra-entity accounts: To be used when there is a debit balance in transactions between the futures segment and any other segment, in the case of an enterprise from another industry that concurrently conducts futures business.

The items described in the preceding two paragraphs in relation to financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets measured at cost, debt instrument investment for which no active market exists, held-to-maturity financial assets, derivative financial assets for hedging, futures trading margins

receivable, trade receivables, and other receivables shall be accounted for in accordance with IAS 39.

An FCM shall assess as of each balance sheet date whether there is any objective evidence of impairment for the items described in paragraphs 3 and 4 in relation to available-for-sale financial assets, financial assets measured at cost, debt instrument investment for which no active market exists, held-to-maturity financial assets, futures trading margins receivable, trade receivables, other receivables, investments accounted for using the equity method, property and equipment, investment property measured using cost model, and intangible assets. If any such evidence exists, the FCM shall recognize the amount of any impairment loss in accordance with IAS 39 and IAS 36.

With respect to the items described in paragraph 3 and paragraph 4 in relation to financial assets at fair value through profit or loss, derivative financial assets for hedging, available-for-sale financial assets, debt instrument investments for which no active market exists, held-to-maturity financial assets, customer margin accounts, trade receivables, other receivables, non-current assets held for sale, and investment property, the measurement and disclosure of fair value shall be made in accordance with IFRS 13.

The items described in paragraphs 3 and 4 in relation to financial assets at fair value through profit or loss, derivative financial assets for hedging, available-for-sale financial assets, financial assets measured at cost, debt instrument investments for which no active market exists, and held-to-maturity financial assets shall be distinguished as current and non-current based on liquidity.

#### Article 15

Liabilities shall be properly classified. Current and non-current liabilities shall be distinguished.

For each liability line item, the total amount expected to be settled within 12 months after the balance sheet date and the total amount expected to be settled more than 12 months after the balance sheet date shall be separately presented in the financial reports or disclosed in the notes.

Current liability means that the FCM expects to settle the liability in its normal operating cycle; that it holds the liability primarily for the purpose of trading; that it expects to settle the liability when due within 12 months after the balance sheet date, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial reports are authorized for issue; or that it does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. As a minimum, the current liabilities shall include the following line items:

1.Short-term borrowings:

A.Includes short-term borrowings from banks, overdrafts, and other short-term borrowings.

B.For short-term borrowing, the nature of the borrowing, the guarantee status, and the interest rate range shall be noted based on the type of

borrowing. If collateral is provided, the name and carrying amount of the collateral shall be noted.

C.Borrowings from non-financial institutions made in accordance with Article 21 of the Regulations Governing Futures Commission Merchants shall be presented separately.

2.Commercial paper payable:

A.Commercial paper issued through financial institutions to acquire funds from the money market.

B.Commercial paper payable shall be measured at amortized cost using the effective interest method. However, commercial paper payable with no stated interest rate may be measured at the original face amount if the effect of discounting is immaterial.

C.For commercial paper payable, the guarantor or accepting institution and the interest rate shall be noted. If collateral is provided, the name and carrying amount of the collateral shall be noted.

3.Financial liabilities at fair value through profit or loss - current:

A.Financial liabilities held for trading:

a.Liabilities that are incurred principally for the purpose of repurchasing it in the near term;

b.Liabilities that, upon initial recognition, are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking; or

c.Liabilities that are derivative financial liabilities, except for financial guarantee contracts or derivative financial liabilities that are designated and effective hedging instruments.

B.Financial liabilities that, except for those designated as hedged items under hedge accounting requirements, are designated upon initial recognition as at fair value through profit or loss.

C.Financial liabilities at fair value through profit or loss shall be measured at fair value. However, with respect to a financial liability designated as at fair value through profit or loss, if the amount of change in the fair value of the financial liability is attributable to change in the credit risk, it shall be recognized in other comprehensive income, unless for the purpose of avoiding accounting mismatch or in the case of loan commitments and financial guarantee contracts, under which circumstances the amount of changes in fair value shall be recognized in profit or loss.

4.Derivative financial liabilities for hedging - current:A derivative financial liability that is a designated and effective hedging instrument under hedge accounting requirements. Any such liability shall be measured at fair value.

5.Financial liabilities measured at cost-current: derivative instrument liabilities that are linked to such equity instruments that do not have a quoted price in an active market and that shall be settled by delivery of such equity instruments, and the fair value cannot be reliably measured.

6.Futures traders' equity:

A.Trading margins and premiums, and the related settlement differences, deposited by futures traders.

B.When a debit balance arises on futures traders' equity, it shall be accounted for as futures trading margins receivable.

C. When the balance of futures traders' equity does not match that of customer margin accounts, the reason for the difference shall be indicated in the notes.

7. Trade payables:

A. Payables resulting from business operations.

B. Trade payables shall be measured at amortized cost using the effective interest method. However, short-term trade payables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial.

C. Trade payables to related parties in significant amounts shall be presented separately.

8. Other payables: Payables other than trade payables, such as tax payable, accrued payroll, dividends payable, and accrued cash dividends collected for others.

For dividends and bonuses payable passed by resolution of the shareholders meeting, the distribution method and scheduled payment date shall be noted.

9. Current tax liabilities: Unpaid tax for current and prior periods.

10. Provisions -current:

A. Any liability of uncertain timing or amount.

B. Provisions shall be accounted for in accordance with IAS 37.

C. A provision shall be recognized when an FCM has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

D. An FCM shall disaggregate provisions into provisions for employee benefits and other items in the notes to the financial reports.

11. Liabilities directly associated with non-current assets held for sale: Any liability included in a disposal group held for sale that is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups, and whose sale must be highly probable.

12. Other current liabilities: Current liabilities not attributable to any of the classes above, such as bonds payable and long-term borrowings that become due within 1 year.

Non-current liabilities means liabilities other than current liabilities. As a minimum, the non-current liabilities shall include the following line items:

1. Bonds payable (including overseas bonds):

A. For bonds issued by an FCM, the total approved amount, interest rate, maturity date, name of collateral, carrying amount, issuing area, and other relevant terms and restrictions shall be indicated in the notes to the financial reports. If the bonds are convertible bonds, the method of conversion and amounts already converted shall also be noted.

B. Premiums and discounts on bonds payable are valuations of bonds payable. They shall be presented as an addition to or deduction from bonds payable, and shall also be amortized, as an adjustment to interest expenses, using the effective interest method during the period of bond circulation.

2. Long-term borrowings:

A. For long-term borrowings, the content, maturity date, interest rate, name of collateral, carrying amount, and any other important restriction terms

shall be noted.

B.For a long-term borrowing repaid in a foreign currency or in an amount translated at a foreign exchange rate, the name and amount of such foreign currency shall be noted.

C.Long-term notes payable and other long-term payables shall be measured at amortized cost using the effective interest method.

3.Deferred tax liabilities: The amounts of income taxes payable in future periods in respect of taxable temporary differences.

4.Other non-current liabilities: Non-current liabilities not attributable to any of the classes above. The major line items under other non-current liabilities are as follows:

A.Refundable deposits: All other guarantee deposits received as refundable deposits.

B.Accounts with branches: To be used when there is a credit balance in transactions between the head office and branches, if an FCM has branches.

C.Accounts with head office: To be used when there is a credit balance in transactions between the branches and head office of an FCM.

D.Intra-entity accounts: To be used when there is a credit balance in transactions between the futures segment and any other segment, in the case of an enterprise from another industry that concurrently conducts futures business.

The items described in the preceding two paragraphs in relation to financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging, financial liabilities measured at cost, trade payables, and other payables shall be accounted for in accordance with IAS 39.

With respect to the items described in paragraphs 3 and 4 in relation to financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging, futures traders' equity, trade payables, other payables, bonds payable, and long-term borrowings, the measurement and disclosure of fair value shall be made in accordance with IFRS 13.

The items described in paragraphs 3 and 4 in relation to financial liabilities at fair value through profit or loss, derivative financial liabilities for hedging, financial liabilities measured at cost, and provisions shall be distinguished as current and non-current based on liquidity.

#### Article 16

Equity items, their components, and information to be disclosed in the balance sheet are as follows:

1.Equity attributable to owners of the parent:

A.Share capital:

a.Capital contributed by shareholders to an FCM and registered with the competent authority in charge of company registration, but excluding preferred shares in the nature of liabilities.

b.For share capital, the classes, par value per share, the number of shares authorized, the number of shares issued and fully paid, a reconciliation of the number of shares outstanding at the beginning and at the end of the period, the rights, preferences and restrictions attaching to each class of share capital, shares in the FCM held by the FCM or by its subsidiaries or associates, shares reserved for issue (or for transfer or conversion) under

options and contracts for the sale of shares, and special conditions shall be disclosed in the notes.

B.Capital surplus: Means the equity components of financial instruments issued by an FCM or premiums resulting from share capital transactions between an FCM and its owners, including premium in excess of the par value of the shares issued, donated surplus, and others arising as a result of regulatory provisions associated with these Regulations. Capital surpluses shall be presented separately according to their nature; if there is any restriction on their use, the restriction shall be disclosed in the notes.

C.Retained earnings (or accumulated deficit): Equity resulting from operating activities, including legal reserves, special reserves, and undistributed earnings (or deficit to be offset).

a.Legal reserve: A fixed-percentage reserve appropriated as required by the Company Act.

b.Special reserve: A reserve appropriated from earnings in accordance with the requirements of applicable laws and regulations, contracts, or articles of incorporation, or as resolved at shareholders' meetings.

c.Undistributed earnings (or deficit to be offset): Undistributed and unappropriated earnings ("deficit to be offset" is deficit not yet offset).

d.An earnings distribution or offsetting of deficit shall not be accounted for unless and until approved by a shareholders' meetings. However, when an earnings distribution or offsetting of deficit has been proposed, such shall be disclosed in the notes to the financial reports for the current period.

D.Other equity: Includes the accumulated balances of exchange differences resulting from translating the financial statements of a foreign operation, of unrealized gains or losses from available-for-sale financial assets, of the effective portion of gains and losses on hedging instruments in a cash flow hedge, and of revaluation surplus.

E.Treasury shares: Treasury shares shall be accounted for using the cost method and presented as a deduction from equity. The number of shares shall be noted.

## 2.Non-controlling interest:

A.The equity in a subsidiary not attributable, directly or indirectly, to a parent.

B.For an FCM during acquisition, the components of non-controlling interest in the acquiree shall be measured in accordance with IFRS 3.

C.An FCM shall disclose information on any subsidiary in which the FCM has a non-controlling interest of materiality and on the non-controlling interest in accordance with IFRS 12.

In the case of an enterprise from another industry that concurrently conducts futures business, when preparing financial statements for its futures segment in accordance with Article 8 of these Regulations, it shall separately present the operating capital earmarked for use in the futures segment under equity items.

An FCM may elect to recognize the remeasurements of defined benefit plans in retained earnings or other equity, and disclose the accounting policy in the notes. Remeasurements of defined benefit plans that have been recognized in other equity may not be reclassified into profit or loss or transferred into retained earnings in a subsequent period.

#### Article 17

Equity items, their components, and information to be disclosed in the balance sheet of a foreign FCM are as follows:

1. Operating capital: Capital earmarked by a foreign FCM for exclusive use by its ROC branches in their business operations.
2. Accumulated earnings or deficit: With respect to a foreign FCM's ROC branches, earnings not yet repatriated to the head office or deficit not yet offset. Any special reserve appropriated under applicable laws and regulations shall be noted.
3. Other equity: With respect to a foreign FCM, the accumulated balances of unrealized gains or losses from available-for-sale financial assets, and of the effective portion of gains and losses on hedging instruments in a cash flow hedge, and revaluation surplus.

A foreign FCM may elect to recognize the remeasurements of defined benefit plans in retained earnings or other equity interest, and disclose the recognition in the notes. Remeasurements of defined benefit plans that have been recognized in other equity interest may not be reclassified into profit or loss or transferred into retained earnings in a subsequent period.

#### Section II Statement of Comprehensive Income

#### Article 18

An FCM shall present all items of income and expense recognized in a period in a single statement of comprehensive income displaying components of profit or loss and components of other comprehensive income.

An FCM shall present expenses recognized in profit or loss under the preceding paragraph using a classification based on their nature.

When items of income or expense are material, an FCM shall disclose their nature and amount separately in the statement of comprehensive income or in the notes.

As a minimum, the statement of comprehensive income shall include the following line items, with the related details disclosed in the notes:

##### 1. Income:

A. Brokerage fee revenue: Revenue from transaction fees received by an FCM for executing customers' futures trading orders.

B. Futures commission revenue: Revenue from commissions received by an FCM qualified as a clearing member of a foreign futures exchange for the provision of sub-brokerage services to trade futures on the relevant foreign market for the account of other FCMs.

C. Net gain (loss) on derivative instruments: In the case of an FCM engaging in derivative instrument business or hedging transactions, the net amount after offsetting the resultant gains and losses.

D. Clearing and settlement service fee revenue: Revenue from service fees received by an FCM qualified as a clearing member for providing clearing and settlement services to others.

E. Futures administrative fee revenue: Revenue from administrative fees charged by an FCM in its conduct of business activities approved by the competent authority.

F. Management fee revenue: Revenue from management fees received by an FCM in its conduct of managed futures business or discretionary investment business.



G. Advisory fee revenue: Revenue from advisory fees received by an FCM in its conduct of futures advisory or securities investment consulting business.

H. Securities commission revenue: Revenue from commissions received by an FCM in its conduct of securities introducing broker business.

I. Other operating income: Operating revenues and gains not attributable to any of the items above.

J. The recognition and measurement of revenue shall be made in accordance with IAS 18.

2. Broker's exchange fee expenses: Exchange fees that an FCM is required to pay to a futures exchange when executing customers' futures trading orders.

3. Dealer's exchange fee expenses: Exchange fees that a futures dealer is required to pay to a futures exchange when conducting futures trading.

4. Futures commission expenses: This item consists of the following:

A. Futures commission expenses - sub-brokered futures trading: Commissions that an FCM is required to pay to another FCM qualified as a clearing member of a foreign futures exchange, for the provision of sub-brokerage services to trade futures on the relevant foreign market.

B. Futures commission expenses - futures introducing broker business: Commissions that a mandating FCM is required to pay to a futures introducing broker.

5. Clearing and settlement service fee expenses: Clearing and settlement service fees that an FCM, in its conduct of clearing and settlement operations, is required to pay to a clearing house or to another FCM qualified as a clearing member.

6. Futures administrative fee expenses: Administrative fees paid by an FCM for the conduct of business activities approved by the competent authority.

7. Employee benefits expenses: Expenses in relation to employee benefits that IAS19 requires to be recognized, including short-term employee benefits (such as wages, salaries, and labor and national health insurance contributions for employees), post-employment benefits (such as pensions), other long-term employee benefits (such as long-service leave), and termination benefits (such as early retirement incentive programs).

8. Depreciation and amortization expenses: Related depreciation and amortization expenses that IAS16 and IAS38 require to be recognized.

9. Finance costs: Include interest expenditures incurred in relation to operating activities and for all classes of liabilities, with the portion eligible for capitalization being deducted.

10. Other operating expenses: Operating expenses required for an FCM's business management needs and not attributable to any of the items above.

11. Share of the profit or loss of associates and joint ventures accounted for using the equity method: The profit or loss of associates and interests in joint ventures that an FCM recognizes using the equity method according to its share in the associates and the interests in joint ventures.

12. Tax expense (benefit): The aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

13. Profit or loss of discontinued operations:

A. The post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell

or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

B.The presentation and disclosure of profit or loss of discontinued operations shall be made in accordance with IFRS 5.

14.Profit or loss for the period: Earnings or deficit in the current reporting period.

15.Other comprehensive income: Each component of other comprehensive income classified by nature, including share of the other comprehensive income of associates and joint ventures accounted for using the equity method:

A.Items that may be subsequently reclassified into profit or loss: Include exchange differences resulting from translating the financial statements of a foreign operation, unrealized valuation gains and losses from available-for-sale financial assets, the effective portion of gains and losses on hedging instruments in a cash flow hedge, and actuarial gains and losses on defined benefit plans.

B.Items not to be reclassified into profit or loss: Include revaluation surplus and remeasurements of defined benefit plans

16.Total comprehensive income.

17.Allocations of profit or loss for the period attributable to non-controlling interest and owners of the parent.

18.Allocations of total comprehensive income for the period attributable to non-controlling interest and owners of the parent.

19.Earnings per share:

A.Basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity.

B.The calculation and presentation of earnings per share shall be made in accordance with IAS 33.

### Section III Statement of Changes in Equity

#### Article 19

As a minimum, the statement of changes in equity shall include the following:

- 1.total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interest;
- 2.for each component of equity, the effects of retrospective application or retrospective restatement recognized in accordance with IAS 8; and
- 3.for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

A.net profit (or net loss) for the period;

B.other comprehensive income; and

C.transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

An FCM shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognized as distributions to owners during the period, and the related amount per share.

#### Article 20

A foreign FCM shall present a statement of changes in equity showing, for operating capital and accumulated earnings or deficit, the balances at the beginning of the period, the reason and amount of any changes for the current period, and the balances at the end of the period.

#### Section IV Statement of Cash Flows

##### Article 21

A statement of cash flows provides users of financial statements with a basis to assess the ability of the FCM to generate cash and cash equivalents and the needs of the FCM to utilize those cash flows. Namely, it presents, through inflows and outflows of cash and cash equivalents, a summary report on the FCM's operating, investing, and financing activities during the period. The presentation and disclosure of cash flow information shall be made in accordance with IAS 7.

#### Section V Notes

##### Article 22

To meet the objective of presenting full and complete information about the financial position, financial performance, and cash flows of an FCM, financial reports shall contain explanatory notes disclosing the following:

1. Company history and scope of business operations.
2. A statement that the financial reports comply with these Regulations, applicable laws and regulations (giving the titles of the laws or regulations), as well as IFRS, IAS, IFRIC Interpretations, and SIC Interpretations.
3. The date when the financial reports were authorized for issue and the process involved in authorizing the financial reports for issue.
4. The effect or impact that may arise when it has or has not applied a new or revised IFRS, IAS, IFRIC Interpretation, or SIC Interpretation recognized by the FSC.
5. A summary of significant accounting policies used that are relevant to an understanding of the financial reports, and the measurement basis (or bases) used in preparing the financial reports.
6. Significant accounting judgments, estimations, and assumptions, as well as information about the assumptions it makes and other major sources of estimation uncertainty.
7. Objectives, policies and processes for managing capital, and any change in capital structure, including funding, liability, and equity.
8. If for a special reason there is a change in accounting treatment, thus affecting the comparison of financial data between two successive periods, the reason for the change and its effect on the financial reports shall be noted.
9. If it is necessary to provide the basis of valuation for any amount presented in the financial reports, the basis of valuation shall be noted.
10. If any item presented in the financial reports is subject to any legal, regulatory, contractual, or other restriction, the circumstances and timing of the restriction and other related information shall be noted.
11. Criteria for classifying assets and liabilities into current and non-current.
12. Material contingent liabilities and unrecognized contractual commitments.
13. Information about trading in derivative instruments.

- 14.The limitations on financial ratios imposed by the Futures Trading Act, and the related implementation.
- 15.Risks particular to the business operations of an FCM.
- 16.Financial risk management objectives and policies.
- 17.Long-term and short-term borrowings.
- 18.The addition, expansion, construction, lease, obsolescence, idling, sale, pledge, or transfer of major assets.
- 19.Principal investments in other enterprises.
- 20.Significant transactions with related parties.
- 21.Losses due to major disasters.
- 22.Major litigation pending or concluded.
- 23.The signing, completion, voidance, or lapse of major contracts.
- 24.Information about employee benefits. The information shall be disclosed in accordance with IAS 19, and shall include the influence of defined benefit plans on the amount, timing, and certainty of future cash flows.
- 25.When subsidiaries hold shares in the parent, the names of the subsidiaries and the shareholdings, amounts, and reasons shall be separately presented.
- 26.In the case of private placement of securities, the type, issue date, and amount shall be noted.
- 27.Major organizational adjustments and significant management reforms.
- 28.Material effects of changes in government laws and regulations.
- 29.Segment financial information required to be disclosed in accordance with IFRS 8.
- 30.Material effects of discontinuance of operations.
- 31.Any merger with or transfer of all business operations from or to another FCM.
- 32.Information on Mainland Area investments by the FCM or by its subsidiaries in a third jurisdiction.
- 33.Fair value information. The information shall be disclosed in accordance with IAS 13, and shall include information on recurring or non-recurring fair value measurement of assets and liabilities, inputs such as fair value valuation technique and parameters or assumptions used in fair value measurement, and Level 3 of fair value hierarchy.
- 34.Foreign-currency-denominated assets and liabilities that have significant influence: Include the amount of risk exposure, currency, and exchange rate for monetary and non-monetary items denominated in foreign currencies, and the foreign exchange gains or losses on monetary items.
- 35.Supporting information for items presented in the balance sheet and in the statements of comprehensive income, of changes in equity and of cash flows, or other necessary descriptions essential for avoiding misunderstanding by users or for the fair presentation of the financial reports.

#### Article 23

Financial reports shall include explanatory notes on the following subsequent events that occur between the balance sheet date and the date when the financial reports are authorized for issue:

- 1.Change in capital structure.
- 2.Large long-term or short-term borrowings.
- 3.The addition, expansion, construction, lease, obsolescence, idling, sale,

- pledge, or transfer of major assets.
- 4.Principal investments in other enterprises.
- 5.Losses due to major disasters.
- 6.Major litigation pending or concluded.
- 7.The signing, completion, voidance, or lapse of major contracts.
- 8.Major organizational adjustments and significant management reforms.
- 9.Material effects of changes in government laws and regulations.
- 10.Other major events or measures capable of affecting financial position, financial performance, or cash flows.

#### Article 24

An FCM shall separately disclose in the notes to the financial reports information on the following events between the FCM and its subsidiaries during the current period, and on parent-subsidiary transactions:

1.Information on significant transactions:

- A.Lending funds to others.
- B.Providing endorsements or guarantees for others.
- C.Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more.
- D.Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more.
- E.Handling fee discounts on transactions with related parties totaling NT\$5 million or more.
- F.Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more.
- G.Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them.

2.Information on investees: If the FCM directly or indirectly exercises significant influence or control over, or has a joint venture interest in, an investee company that is not in the Mainland Area, it shall disclose information on the investee company, showing the name, location, principal business activities, original investment amount, shareholding at the end of the period, profit or loss for the period, and recognized investment gain or loss.

3.Information on investments in the Mainland Area:

- A.If the FCM directly or indirectly exercises significant influence or control over, or has a joint venture interest in, any investee company in the Mainland Area, it shall disclose information on the investee company in the Mainland Area, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, current profit or loss, and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area.
- B.When the FCM recognizes investment gain or loss using the equity method or prepares consolidated financial statements with respect to a Mainland Area investee company, the recognition or preparation shall be based on the investee company's financial reports audited and certified by an international accounting firm having a business cooperation relationship with an ROC accounting firm, provided that when preparing interim

consolidated financial reports, the recognition or preparation may be based on the investee company's financial reports reviewed by an international accounting firm having a business cooperation relationship with an ROC accounting firm.

If the shares issued by an FCM have a par value other than NT\$10, for the calculation of a transaction amount of 20 percent of paid-in capital under items C, D, and F of the preceding paragraph, 10 percent of the equity attributable to owners of the parent as stated in the balance sheet shall be substituted.

#### Article 25

An FCM shall fully disclose information on related party transactions in accordance with IAS 24. In considering whether a counterparty is a related party, attention shall be directed to the substance of the relationship in addition to the legal form. Unless it can be established that no control, joint control, or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship, and relevant information shall be disclosed in the notes to the financial reports in accordance with IAS 24:

1. An affiliated enterprise within the meaning given in Chapter VI-I of the Company Act, and any of its directors, supervisors, and managerial officers.
2. A company or institution governed by the same general management office as the FCM, and any of its directors, supervisors, and managerial officers.
3. A person holding the position of manager or higher in the general management office.
4. A company or institution shown as an affiliated enterprise in the FCM's publications or public announcements.

### Chapter III Interim Financial Reports

#### Article 26

Interim financial reports shall include interim financial reports for each of the following periods:

1. Balance sheets as of the end of the current interim period, as of the end of the immediately preceding financial year, and as of the end of the comparable interim periods of the immediately preceding financial year.
2. Statements of comprehensive income for the current interim period, for the current financial year to the end of the current interim period, for the comparable interim periods of the immediately preceding financial year, and for the immediately preceding financial year to the end of the comparable interim periods.
3. Statement of changes in equity for the current financial year to date, with a statement of changes in equity for the same period of the immediately preceding financial year.
4. Statement of cash flows for the current financial year to date, with a statement of cash flows for the same period of the immediately preceding financial year.

Interim financial reports shall disclose events or transactions of materiality that have occurred since the date of the end of the reporting period of the immediately preceding financial year; the disclosure shall be made in accordance with IAS 34, and shall include the following information:

1. Possible impact that the application of newly issued or revised standards or interpretations will have on the FCM, as required to be disclosed in accordance with IAS 8.
2. Qualitative and quantitative disclosure of risks arising from financial instruments, including credit risk, liquidity risk, and market risk, and management of such risks.
3. Aged analysis of accounts receivable, and changes in allowances for bad debts and evaluated impairment thereof.
4. Foreign-currency-denominated assets and liabilities that have significant influence, including the amount of risk exposure, currency, and exchange rate for monetary and non-monetary items denominated in foreign currencies, and the foreign exchange gains or losses on monetary items.
5. Sensitivity analysis of exchange rate risk for monetary items denominated in foreign currencies.

#### Chapter IV Parent Company Only Financial Reports

##### Article 27

An FCM preparing parent company only financial reports shall apply accounting treatment conforming to the requirements of Chapter II of these Regulations, except when it has control or significant influence over, or a joint venture interest in, an invested company, in which case it shall value the long-term equity investment using the equity method.

The profit or loss for the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

##### Article 28

An FCM preparing parent company only financial reports is not required to prepare segment information within the scope of IFRS 8.

##### Article 29

An FCM preparing parent company only financial reports shall prepare statements of major accounting items.

Titles of statements of major accounting items are as follows:

1. Statements of assets and liabilities items:

A. Statement of cash and cash equivalents.

B. Statement of financial assets at fair value through profit or loss - current.

C. Statement of available-for-sale financial assets - current.

D. Statement of derivative financial assets for hedging - current.

E. Statement of financial assets measured at cost - current.

F. Statement of debt instrument investment for which no active market exists - current.

G. Statement of futures trading margins - own funds.

H. Statement of futures trading margins - securities.

I. Statement of customer margin account balances.

J. Statement of customer margin accounts - bank deposits.

K. Statement of customer margin accounts - securities.

L.Statement of customer margin accounts - clearing balances with futures clearing houses.

M.Statement of customer margin accounts -clearing balances with other futures commission merchants.

N.Statement of customer margin accounts -others.

O.Statement of futures trading margins receivable.

P.Statement of trade receivables.

Q.Statement of prepayments.

R.Statement of other receivables.

S.Statement of non-current assets held for sale.

T.Statement of other current assets.

U.Statement of changes in financial assets at fair value through profit or loss -non-current.

V.Statement of available-for-sale financial assets -non-current.

W.Statement of changes in held-to-maturity financial assets -current.

X.Statement of derivative financial assets for hedging -non-current.

Y.Statement of financial assets measured at cost -non-current.

Z.Statement of debt instrument investment for which no active market exists -non-current.

AA.Statement of changes in investments accounted for using the equity method.

BB.Statement of changes in accumulated impairment of investments accounted for using the equity method.

CC.Statement of changes in property and equipment.

DD.Statement of changes in accumulated depreciation of property and equipment.

EE.Statement of changes in accumulated impairment of property and equipment.

FF.Statement of changes in investment property.

GG.Statement of changes in accumulated depreciation of investment property.

HH.Statement of changes in accumulated impairment of investment property.

II.Statement of changes in intangible assets.

JJ.Statement of deferred tax assets.

KK.Statement of other non-current assets.

LL.Statement of short-term borrowings.

MM.Statement of commercial paper payable.

NN.Statement of financial liabilities at fair value through profit or loss -current.

OO.Statement of derivative financial liabilities for hedging -current.

PP.Statement of financial liabilities measured at cost.

QQ.Statement of futures traders' equity.

RR.Statement of trade payables.

SS.Statement of other payables.

TT.Statement of provisions -current.

UU.Statement of liabilities directly associated with non-current assets held for sale.

VV.Statement of other current liabilities.

WW.Statement of changes in financial liabilities at fair value through profit or loss -non-current.

XX.Statement of derivative financial liabilities for hedging -non-current.



YY.Statement of long-term borrowings.

ZZ.Statement of bonds payable.

AAA.Statement of provisions -non-current.

BBB.Statement of deferred tax liabilities.

CCC.Statement of other non-current liabilities.

2.Statements of profit or loss items:

A.Statement of gains (losses) on derivative instruments.

B.Statement of futures commission expenses.

C.Statement of employee benefits, depreciation, amortization, and other operating expenses.

D.Statement of finance costs.

E.Statement of other gains and losses.

An FCM may determine, having regard to the concept of materiality, whether or not to separately present the statements of assets and liabilities items described in subparagraph 1 of the preceding paragraph.

#### Article 30

An FCM shall provide information on its business conditions in accordance with the following:

1.Significant business matters: The FCM shall provide information on matters arising over the most recent 5 financial years that have had a significant impact on its business, including acquisitions of or mergers with other companies, demergers, equity investments in affiliated enterprises, reorganization, purchases or disposals of major assets, and significant changes in operation method or business activity.

2.Information related to investments in overseas enterprises: The FCM shall provide summary information on any investments in overseas enterprises and offices, and any investments in other enterprises and offices by such overseas investee enterprises, including original investment amount, investment gains or losses, cash dividends, and endorsements, guarantees, or loans extended to outside parties by each such enterprise.

3.Information on overseas branches and representative offices: The FCM shall provide information on its overseas branches and representative offices, disclosing the locations, business activities, inward and outward remittances of operating capital, the branch's profit or loss for the period, and any accounts and transactions with the head office.

4.Remuneration and related information on directors, supervisors, general manager, and assistant general managers.

A.The FCM shall, in a manner conforming to the following, disclose the remuneration paid to each of the directors, supervisors, general manager, and assistant general managers in the most recent financial year; if a director concurrently serves as a member of management, the remuneration shall be disclosed separately by the position held:

a.The FCM may opt either to disclose aggregate remuneration information, with the name(s) indicated for each remuneration range, or to disclose the name of each individual and the corresponding remuneration amount. For a director concurrently serving as a member of management, the remuneration shall be disclosed separately for each position held. The FCM may adopt the aggregate disclosure method if it is a non-public company whose issued voting shares are all held, directly or indirectly, by one single person.

b.If the FCM has had an after-tax deficit for the most recent financial

year, it shall disclose the remuneration paid to each of the directors, supervisors, and general manager. The FCM may adopt the aggregate disclosure method if it is a non-public company whose issued voting shares are all held, directly or indirectly, by one single person.

c.The FCM, if a public company that has had an insufficient director shareholding percentage for 3 consecutive months or longer during the most recent financial year, shall disclose the remuneration paid to each of the directors, and, if one that has had an insufficient supervisor shareholding percentage for 3 consecutive months or longer during the most recent financial year, shall disclose the remuneration paid to each of the supervisors.

d.The FCM, if a public company that has had an average ratio of share pledging by directors and supervisors in excess of 50 percent in any 3 months during the most recent financial year, shall disclose the remuneration paid to each of the directors and supervisors having a ratio of pledged shares in excess of 50 percent for each such month.

B.If the FCM's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm, it shall disclose the name and position of that person and the period during which the position was held at the accounting firm or affiliated enterprise.

#### 5.Labor-management relations:

A.Indicate any significant employee benefit policies, professional development, training, or retirement programs and the status of their implementation, as well as agreements between labor and management and policies for safeguarding employees' rights and interests.

B.Provide information on any loss sustained as a result of labor disputes in the most recent 3 financial years, together with the disclosure of an estimate of losses incurred to date or likely to be incurred in the future and the mitigation measures taken or to be taken. If the losses cannot be reasonably estimated, the FCM shall make a statement to that effect.

As used in these Regulations, the expression "affiliated enterprise of the accounting firm of its CPA" means one in which the CPAs at the accounting firm of its CPA hold more than 50 percent of the shares, or of which such CPAs hold more than half of the directorships, or a company or institution shown as an affiliated enterprise in the publications or public announcements of the accounting firm of its CPA.

#### Article 31

An FCM shall disclose the following financial information for the most recent 5 financial years:

- 1.Condensed balance sheet and statement of comprehensive income.
- 2.Analysis of key financial ratios.
- 3.Other significant information (e.g., impact of changes in commodity prices or exchange rates) that will provide a better understanding of the FCM's financial position, financial performance, and cash flows or the trend of their changes.

#### Article 32

An FCM shall review its financial position, financial performance, and cash flows and analyze the reason of their changes. The review shall at least

cover the following matters, and when necessary may address these matters at the segmental level:

1. Significant capital expenditures and the source of funds: Provide information on the nature, anticipated benefits, and actual or anticipated source of funds for any significant capital expenditures invested or committed in the most recent 2 financial years, and for any capital expenditures proposed to be invested in the coming 5 years. If material changes are expected in the relative cost of funds or capital for future borrowings or capital increase, or in the FCM's borrowing or capital increase policy, relevant information shall be provided.

2. Liquidity: Analyze liquidity in the most recent 2 financial years and the reason for any increase or decrease, and provide information, in terms of operational trends, capital demand, and other significant commitments, transactions, or non-transactions, on the conditions of future changes in operating capital demand, amount of operating capital that can be generated through business operations, and amount of operating capital that needs to be or can be obtained from external sources. If it is discovered that liquidity is or will be materially insufficient, identify the remedial measures taken or to be taken.

3. Financial performance: Analyze the components of profit or loss from continuing operations in the most recent 2 financial years and describe any significant transactions, non-transactions, or economic changes that affect their increase or decrease. When there is a significant increase or decrease in revenues or expenses, the reason for the change shall be stated. If material changes have occurred or are expected to occur in the operational policies, market conditions, or other internal or external factors, causing a material increase or decrease in revenues or expenses from continuing operations, the fact and their impact shall be stated.

#### Article 33

An FCM shall disclose the following information regarding its CPA:

1. Information on professional fees: An FCM may opt to disclose CPA professional fees either by fee range or by disclosure of individual amounts, and, given any of the following conditions, shall disclose information as follows:

A. When non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them, or when non-audit fees reach NT\$500,000 or more, the amounts of both audit and non-audit fees and the details of the non-audit services shall be disclosed. "Audit fees" means professional fees paid by the FCM to its CPA for audits, reviews, and secondary reviews of financial reports, reviews of financial forecasts, and tax certification.

B. When the FCM changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount and percentage of and reason for the reduction in audit fees shall be disclosed.

C. When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 15 percent or more, the amount and percentage of and reason for the reduction in audit

fees shall be disclosed.

2.Information on change in CPA: If an FCM changed its CPA during the most recent 2 financial years or any subsequent interim period, it shall disclose the following information:

A.Regarding the former CPA:

a.Date of and reason for the change in CPA, together with a description of whether the CPA or the FCM terminated or discontinued the engagement.

b.If the former CPA issued an audit report during the most recent 2 years containing an opinion other than an unqualified opinion, state the opinion and reason.

c.Indicate whether there were any disagreements between the FCM and the former CPA on accounting policies or practices, financial report disclosure, and auditing scope or procedure. If any such disagreements did exist, the FCM shall describe in detail the nature of each such disagreement, how the FCM addressed them (including whether the FCM has authorized the former CPA to respond fully to the inquiries of the successor CPA concerning the subject matter of each of such disagreements), and the final results.

d.The former CPA advised the FCM that it lacked the sound internal controls necessary to develop reliable financial reports.

e.The former CPA advised the FCM that the CPA was unable to rely on the FCM's written representations, or was unwilling to be associated with the financial reports prepared by the FCM.

f.The former CPA advised the FCM that the scope of the audit must be expanded, or there was information showing that an expanded audit might impact the reliability of either a previously issued financial report or the financial report to be issued but due to the change of the CPA or for any other reason, the former CPA did not expand the scope of the audit.

g.The former CPA advised the FCM that information has come to the CPA's attention that might impact the reliability of either a previously issued financial report or the financial report to be issued, but due to the change of the CPA or for any other reason, the former CPA did not address the issue.

B.Regarding the successor CPA:

a.Names of the successor accounting firm and CPA, and date of engagement.

b.If prior to the formal engagement of the successor CPA, the FCM consulted the new CPA regarding the accounting treatment of or application of accounting policies to a specific transaction, or the type of audit opinion that might be rendered on the FCM's financial report, the FCM shall disclose the issues that were the subjects of those consultations and the consultation results.

c.The FCM shall consult and obtain written views from the successor CPA regarding the matters on which the FCM disagreed with the former CPA, and disclose information on these views.

C.The FCM shall by letter provide the former CPA with a copy of the disclosures it is making in response to item A and item B(c), and advise the CPA of the need to respond by letter within 10 days should the CPA disagree on any such matters. The FCM shall disclose the content of the reply letter from the former CPA.

Article 34

An FCM preparing and disclosing information on matters specified in Articles 30 through 33 of these Regulations shall request its CPA to issue a review opinion on these matters in accordance with the Directions for Review of Other Disclosures in Financial Reports.

#### Chapter V Consolidated Financial Statements Covering Affiliated Enterprises

##### Article 35

An FCM shall prepare and present consolidated financial statements covering affiliated enterprises in accordance with the Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations.

If, pursuant to the Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations, the entities that must be included in preparing the consolidated financial statements covering affiliated enterprises are entirely the same as those that IFRS 10 requires to be included in preparing the consolidated financial report comprising the parent and its subsidiaries, and if the required disclosures to be made in the consolidated financial statements covering affiliated enterprises are already made in the consolidated financial report comprising the parent and its subsidiaries, then the consolidated financial statements covering affiliated enterprises need not be prepared, provided that a statement to that effect is made and presented on the front page of the consolidated financial report.

#### Chapter VI First-time Adoption

##### Article 36

IFRS 1 applies when an FCM first adopts IFRS.

Except when electing to use the deemed cost exemption in accordance with Article 37 below, the FCM shall apply IAS 40, IAS 16, and IAS 38 retrospectively to investment property, property and equipment not classified as for investment or held for sale, and intangible assets in accordance with the preceding paragraph at the date of transition to IFRS.

##### Article 37

An FCM electing to use the deemed cost exemption described in IFRS 1 shall be subject to the following:

- 1.If the FCM chooses to use the fair value of such an item of investment property as its deemed cost, it shall comply with Article 9, paragraph 4, subparagraph 4 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 2.For an item of investment property that does not fall within the scope of the preceding subparagraph allowing the use of fair value as deemed cost, of property and equipment not classified as for investment or held for sale, or of intangible assets, the FCM may only elect to use a previous GAAP revaluation of that item as deemed cost at the date of the revaluation.

##### Article 38

For the financial assets or financial liabilities measured at cost upon initial recognition prior to the date of conversion, an FCM may, on the date of conversion, elect to use the exemption designated by the previously

recognized financial instruments pursuant to IFRS 1, or classifies them as financial assets or financial liabilities held for trading on the premises that they meet the conditions for financial assets or financial liabilities held for trading under Article 14 or 15 of these Regulations.

Financial assets or financial liabilities not included in the preceding paragraph may not be reclassified on the date of conversion.

#### Chapter VII Joint Arrangements

##### Article 39

Joint arrangements are either joint operations or joint ventures, and have the following characteristics:

- 1.All of the parties are bound by a contractual arrangement.
- 2.The contractual arrangement gives two or more of those parties joint control of the arrangement.

When a joint arrangement is a joint operation, the assets, liabilities, revenues, and expenses relating to the joint operation shall be recognized in accordance with these Regulations, applicable IFRSs, and contractual agreement.

When a joint arrangement is a joint venture, the interest in the joint venture shall be accounted for using the equity method pursuant to Article 14, paragraph 4, subparagraph 2 and IAS 28.

#### Chapter VIII Supplementary Provisions

##### Article 40

The format of the statements, schedules, and other documents relating to financial reports as identified in these Regulations shall be determined by the FSC.

##### Article 41

These Regulations shall come into force from the date of issuance, with the exception of Article 4, Article 7, Article 12, paragraph 1, Article 13 to Article 19, Article 22, Article 24, Article 26, Article 27, Article 35, Article 37, and Article 39, which shall come into force from the beginning of financial year 2015.