

Content

Title : Financial-Supervisory-Securities-Firms-1130347901 **Ch**

Date : 2024.09.26

Content : Order of the Financial Supervisory Commission

Issue date: 26 September 2024

Issue no.: Financial-Supervisory-Securities-Firms-1130347901

1. This order is issued pursuant to Article 18-1, paragraph 1 of the Regulations Governing Securities Firms.
2. A securities firm may invest in securities or futures related enterprises, and such investment shall comply with the following provisions:
 - A. The term "securities or futures related enterprises" means the Taiwan Stock Exchange Corporation, Taiwan Depository and Clearing Corporation, Taiwan Futures Exchange Corporation, securities finance enterprises, securities investment consulting enterprises, securities investment trust enterprises, futures commission merchants, managed futures enterprises, futures trust enterprises, and other securities or futures related enterprises recognized by the Financial Supervisory Commission (FSC).
 - B. If it invests in a securities finance enterprise, securities investment consulting enterprise, securities investment trust enterprise, futures commission merchant, managed futures enterprise, futures trust enterprise, or other securities or futures related enterprise recognized by the FSC, it shall file with the FSC for recordation within 15 days after investing.
 - C. It shall not invest in the Taiwan Stock Exchange Corporation, Taiwan Depository and Clearing Corporation, or Taiwan Futures Exchange Corporation unless it has applied to and obtained approval from the FSC. Furthermore, its shareholding in any of those enterprises shall not exceed 5 percent of the shares of that enterprise.
3. A securities firm shall not invest in a finance-related enterprise unless it has applied to and obtained approval from the FSC, and any such investment shall comply with the following provisions:
 - A. "Finance-related enterprise" means a foreign exchange broker, bill finance enterprise, bank, trust enterprise, insurance company, insurance agent company or insurance broker company, financial holding company, financial technology enterprise, or other finance-related enterprise recognized by the FSC.
 - B. Only a securities firm that does not belong to a financial holding company may make equity investment in a bank, bill finance enterprise, trust enterprise, insurance company, insurance agent company, insurance broker company, or financial holding company.
 - C. A securities firm that, before it participates in the establishment of a financial holding company or joins a financial holding company, has already made investment under Article 18-1 of the Regulations Governing Securities Firms may continue to hold the shares in the invested enterprise, but it may not further increase the amount invested, nor may it make further share purchases to replace shares it has already sold.
 - D. If a securities firm, after investing in a financial holding company, enters into the financial holding company system, the shares of the financial holding company that it already holds shall be handled in accordance with the relevant provisions of the Financial Holding Company Act.
 - E. Before investing in a financial holding company, a securities firm shall comply with Article 16 of the Financial Holding Company Act and with the Regulations Governing a Same Person or Related Parties of a Same Person Holding More Than a Certain Percentage of the Total Issued Voting Shares of a Financial Holding Company.
4. A securities firm shall not invest in a non-securities/futures/finance-related enterprise unless it has applied to and obtained approval from the

FSC, and any such investment shall comply with the following provisions:

A. The term "non-securities/futures/finance-related enterprise" means a venture capital enterprise, private equity fund, venture capital management consulting company, asset management services company, shareholders' meeting affairs handling agent, financial consulting company, or other enterprise recognized by the FSC.

B. Securities firms that may invest in venture capital enterprises, private equity funds, venture capital management consulting companies, or asset management services companies are limited to integrated securities firms that operate securities underwriting, proprietary trading, and brokerage business.

C. When a securities firm invests in a venture capital enterprise or private equity fund, the restrictions set out in Article 11-1 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms shall apply, and furthermore no responsible person or employee of the securities firm may serve as a managerial officer of any enterprise invested in by that venture capital enterprise or private equity fund.

D. The business scope of asset management services companies is as follows:

- a. Providing consulting services for corporate financial restructuring.
- b. Providing investment recommendations to asset management companies or other professional institutional investors and assisting them to conduct project evaluations.
- c. Providing advice on corporate operation restructuring and organizational restructuring.
- d. Consulting services to assist banks in handling non-performing corporate claims.
- e. Performing monetary claims management services for financial institutions.

E. The business scope of financial consulting companies is as follows:

- a. Providing consulting services for corporate financial restructuring.
- b. Providing investment recommendations to asset management companies or other professional institutional investors and assisting them to conduct project evaluations.
- c. Consulting services to assist banks in handling non-performing corporate claims.
- d. Performing financial planning, evaluation and consulting services related to private participation in public construction.
- e. Providing financial consulting services for corporate reorganization, organizational restructuring, and mergers and acquisitions.
- f. Providing financial consulting services for equity financing.
- g. Providing financial consulting services relating to investments of venture capital enterprises.
- h. Providing financial consulting services relating to investments of private equity funds.
- i. Providing financial consulting services relating to improving asset and liability structure.
- j. Providing financial consulting services relating to risk management and financial engineering.

F. A securities firm that holds controlling shares in a venture capital enterprise or a private equity fund shall comply with the following rules:

- a. The securities firm shall evaluate the categories and scope in which a venture capital enterprise or private equity fund is allowed to invest and have them approved by a resolution of the board of directors.
- b. The securities firm shall include the venture capital enterprise or private equity fund in the internal control system chapter "Supervision of Subsidiaries" under the Standard Directions for the Internal Control Systems of Securities Firms and adopt rules of conduct and handling procedures to supervise and manage trading by the venture capital enterprise or private equity fund with interested parties, and trading policies to prevent conflicts of interest and other related issues.
- c. The securities firm shall establish internal rules for and exercise control over the investment limits and shareholding ratios applicable to investments by the venture capital enterprise or private equity fund in target companies and other investments by the venture capital enterprise or private equity fund. Furthermore, when filing its monthly accounting summary, it shall disclose the financial and business information of the venture capital enterprise or private equity fund.

5. If a securities firm's invested subsidiary will serve as a general

partner in a venture capital enterprise or private equity fund, in addition to complying with subparagraph (6) of the preceding point, the provisions listed below shall also be complied with:

A. The securities firm shall obtain a shareholders meeting resolution adopted by a majority of the attending shareholders who represent two-thirds or more of the total number of its issued shares. In the case of a securities firm that has publicly issued shares, if the total number of shares represented by the attending shareholders is insufficient to meet the above quorum, the resolution may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its issued shares.

B. The subsidiary shall be a limited liability juristic person and shall be included in the internal control system chapter "Supervision of Subsidiaries" under the Standard Directions for the Internal Control Systems of Securities Firms.

C. With respect to the subsidiary serving as a general partner, the partnership contract or related contractual documents must specify the responsibilities of each partner, the investment target industry(ies) and business scope, the investment and management decision-making procedures, and establish an internal investment review committee.

D. If the investment by the subsidiary in any venture capital enterprise or private equity fund, plus the total investment of the securities firm's parent company and its subsidiaries in that venture capital enterprise or private equity fund, exceeds 20% of the total assets of the venture capital enterprise or private equity fund and reaches NT\$300 million or more, the securities firm shall file a report with relevant information to the FSC within three business days from the date of occurrence of the fact; it shall also do the same in the event of any change thereto.

E. The venture capital enterprise or private equity fund in which the subsidiary serves as a general partner shall not lend funds or provide endorsements or guarantees to others. Its short-term capital shall not be used to invest in leveraged financial products.

F. If any litigation occurs involving the subsidiary, the securities firm shall, within 3 business days from the date of knowledge or occurrence of the fact, file a report with the cause and relevant materials to the FSC.

G. The securities firm shall engage certified public accountants (CPAs) to conduct an audit of the financial and business status of the subsidiary after the close of each fiscal year. The subsidiary shall furthermore after the end of each fiscal year, in conjunction with the annual financial report of the securities firm, report to the board of directors of the securities firm on its financial and business operations.

6. If the securities firm holds controlling shares in a venture capital enterprise or private equity fund, it should guide the venture capital enterprise or private equity fund, when evaluating investments, to refer to stewardship principles and assist in the sustainable development of invested businesses and promote related measures, and regularly report the implementation results to the board of directors.

7. The total amount of a securities firm's equity investment in securities, futures, finance, and other enterprises shall not exceed 40 percent of the securities firm's net worth stated in its most recent financial report audited and attested by CPAs, and the total amount of its investment in finance-related enterprises and non-securities/futures/finance-related enterprises shall not exceed 20 percent of the securities firm's net worth. However, the above restriction on the ratio of investment in finance-related enterprises and non-securities/futures/finance-related enterprises shall not apply if a special need exists and special case approval is obtained.

8. A securities firm that will invest in any enterprise in Point 2 to Point 4 is required to meet the provisions of all of the following subparagraphs:

A. Its latest capital adequacy ratio after including the amount of that investment in the calculation shall not be less than 200 percent. However, this restriction shall not apply if a special need exists and special case approval is obtained.

B. It has not, within the past three months, been sanctioned under Article 66, subparagraph 1 of the Securities and Exchange Act or under Article 100, paragraph 1, subparagraph 1 of the Futures Trading Act.

C. It has not, within the past six months, been sanctioned under Article 66, subparagraph 2 of the Securities and Exchange Act or under Article 100,

paragraph 1, subparagraph 2 of the Futures Trading Act.

D. It has not, within the past one year, had a sanction imposed by the FSC to suspend its business.

E. It has not, within the past two years, had a sanction imposed by the FSC to void any part of its business permit.

F. It has not, within the past one year, had a sanction of suspended or restricted trading imposed on it by the Taiwan Stock Exchange Corporation, Taipei Exchange, or Taiwan Futures Exchange under the operating rules or bylaws thereof.

G. There are no material deficiencies or anomalies in its internal control system.

9. A securities firm investing in any securities investment consulting enterprise, securities investment trust enterprise, futures commission merchant, managed futures enterprise, futures trust enterprise, foreign exchange broker, bill finance enterprise, asset management services company, or financial consulting company shall be limited to investing in no more than one enterprise in each of those categories, and that limit shall not be circumvented by means of sub-investment.

10. A securities firm that intends to invest in an enterprise under Point 2, subparagraph (3), Point 3, or Point 4 shall apply to the FSC for approval, submitting the documents listed below; however, the documents in subparagraphs (5) and (6) are not required to be submitted for investment in an enterprise under Point 2, subparagraph (3):

A. Minutes of the board of directors meeting or shareholder meeting approving the investment in the enterprise.

B. The most recent financial report audited and attested by CPAs.

C. The information on the calculation of the most recently reported regulatory capital adequacy ratio after including the amount of the planned investment.

D. Investment plan: shall include the purpose of the investment, evaluation of expected benefits, funding sources, capital recovery plan, and risk management methods.

E. Financial and business information of the proposed investee enterprise: including company profile, company organization, business items, business direction, resumes of key managerial officers, capital and shares, shareholding structure, accounting treatment and methods, original investment amount, investment gains/losses, financial projections for the coming three years, the most recent financial report audited and attested by CPAs, the self-prepared balance sheet, comprehensive income statement, and key financial ratio analysis table of the most recent month, the name(s) and shareholding status of any sub-invested enterprise(s). (If any of the above-mentioned information is not available due to pending incorporation or subscription circumstances, that information need not be submitted.)

F. If the invested venture capital enterprise or private equity fund is under designated management, the securities firm shall submit the basic information of the designated management company and the resumes of the primary managerial officers.

G. Other documents that the FSC requires to be submitted.

11. For an investment that has been approved by the FSC under the preceding point, if the securities firm meets the qualifications set forth in subparagraphs (2) to (6) of Point 8, it may apply to the FSC for approval of an increase in the amount of investment in that enterprise by submitting the documents set forth in subparagraphs (1), (4), and (5) of the preceding point.

12. If a securities firm, or a financial institution that concurrently operates a securities firm, inherits, as a result of a merger or consolidation, shares held by the merged or consolidated company in an invested enterprise, such inheritance will not be subject to the provisions regarding the upper limit on shareholding in each invested enterprise, provided that beyond such limit it may not further increase its shareholding ratio nor may it make further share purchases to replace shares it has already sold.

13. If any of the following circumstances occurs with respect to an investment for which a securities firm has obtained approval from the FSC, it shall file a report with the cause and relevant materials to the FSC; for the matters in subparagraphs (1) to (6), the securities firm shall file the

report in advance; for the matters in subparagraphs (7) to (10), the securities firm shall file the report within three business days from the date of knowledge or occurrence of the fact:

- A. Change in business items or material operating policies.
- B. Change in the securities firm's original shareholding or capital contribution ratio.
- C. Deregistration or cessation of business.
- D. Change in the name of the enterprise.
- E. Merger or consolidation with another enterprise, or assignment to or receipt of assignment from another enterprise of all or a major part of assets or operations.
- F. Occurrence of reorganization, liquidation, or bankruptcy.
- G. Occurrence or foreseeable occurrence of any instance of material loss.
- H. Material violation of law or regulation or voidance or revocation of business permit by a competent authority.
- I. Adjustment of the investment style of a venture capital enterprise or private equity fund.
- J. Other material events.

14. The Taiwan Stock Exchange Corporation shall soundly implement the One-Stop Window for Securities Firm Filings with respect to materials relating to securities firms' equity investments, to facilitate statistics keeping and control of securities firms' equity investments in enterprises.

15. This Order is effective from this day forward. The 30 June 2023 FSC Order No. Financial-Supervisory-Securities-Firms-1120382489 is repealed from this day forward.

Files : 06Financial-Supervisory-Securities-Firms-1130347901.txt

Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System