

## SECURITIES FIRMS

### REGISTRATION OF SECURITIES FIRMS

Securities companies, pursuant to the Securities and Exchange Law, can be categorized as:

1. Securities underwriters who facilitate the distribution of issuers' securities.
2. Securities dealers who buy and sell securities for their own accounts.
3. Securities brokers who trade as agents for their customer accounts.

No securities firm shall commence operations until after receipt of approval and license from the SFC. Minimum capital requirements for securities firms are as follows:

1. Securities underwriter: NT\$400 million
2. Securities dealer: NT\$400 million
3. Securities broker: NT\$200 million

Securities firms conducting all three categories of business must meet the minimum capital requirement of NT\$1 billion. Another NT\$30 million will be required for any additional branch office.

Securities brokers and dealers must receive consent to computer linkages from TSCD and the Exchange before they can apply for registration with the SFC.

### FUNDS AND RESERVES

After the registration procedures, securities firms are required to deposit Business Guarantee Fund in SFC-designated banks. The amount for each underwriter, dealer, and broker is NT\$40 million, NT\$10 million and NT\$50 million, respectively. For setting up a branch office, an additional amount of NT\$10 million is required.

Each securities firm is also required to deposit Settlement and Clearing Fund at TSEC who sets up a fund management committee to manage this fund. For each dealer, a fixed amount of NT\$10 million is required. A new brokerage firm has to deposit initially NT\$15 million in the fund before operations and deposit quarterly a variable amount calculated based on the rule specified by the SFC during the first calendar year of its operations. Starting the second calendar year of its operations, the fixed part of the fund is reduced to NT\$7 million, while the variable part is adjusted at the beginning of every year based on its trading value of the previous year.

To further maintain the financial integrity of the intermediaries, securities brokers are required to set up Default Loss Reserve and dealers should set up Trading Loss Reserve as stipulated by the SFC.

## FINANCIAL INTEGRITY OF SECURITIES FIRMS

The total amount of liabilities of a securities firm shall not exceed four times of its net worth and the total amount of its current liabilities shall not exceed the total amount of its current assets. For a securities firm with only a brokerage or dealer license, its total amount of liabilities shall not exceed its net worth. Securities firms are also prohibited from providing guarantee to others and purchasing fixed assets for non-business use.

## SECURITIES FINANCING

Securities financing service was first provided by only one securities finance company, Fuh-Hwa Securities Finance Company. As the securities market liberalization policy advanced, the SFC has permitted other finance companies and qualified securities firms to offer securities financing services as well. The volume of margin trading has increased ever since.

Securities firms must meet certain requirements with respect to their capital, financial and operational conditions to be approved as eligible for securities financing business. To undertake securities financing business, the securities firms should deposit additional Business Guarantee Fund in the amount of NT\$50 million.

For the purpose of controlling the risk run by the brokerage firms, the total margin position of each brokerage firm is limited. To each securities firm eligible for securities financing business, the credit balances in margin accounts and the value of short-selling positions for its whole customers are limited to within 250% of its net worth.

## FOREIGN SECURITIES FIRMS

Foreign securities firms can apply for branch establishments in Taiwan provided that, besides being in line with the principle of reciprocity, it meet the following qualifications:

1. The applicant possesses sufficient experience in international securities business.
2. The applicant has not been sanctioned administratively by its home country's securities regulatory authorities within the recent two years.

They must also deposit funds and reserves as required by local securities firms.

**Table 17. Status of Trading Amounts of Securities Firms 2001**

Classification of Securities and Securities Firms	Trading Value (NT\$ Million)	%	Notes
<b>Classification by Securities</b>			
Total	36,822,738	100.000	
Stocks	36,689,972	99.639	1. The trading value covers both buy and sale value.
Government Bonds	20	0.000	2. The trading value is exclusive of central government bond block trading value.
Corporate Bonds (Convertible Bonds are not included)	0	0.000	
Convertible Bonds	48,054	0.130	
Beneficiary Certificates	10,400	0.028	3. The trading value is exclusive of auction and tender offer.
Warrants	56,880	0.154	
Taiwan Depository Receipts	17,413	0.047	4. Securities firms with the largest trading value:
<b>Classification by Securities Firms</b>			
Securities Brokerage Firms	34,983,332	95.005	1st: Yuan Ta Core Pacific Securities
Main Offices	9,598,930	26.068	2nd: Fubon Securities
Branch Offices	25,384,402	68.937	3rd: Polaris Securities
Banking Brokers	1,217,192	3.306	4th: Jih Sun Securities
Main Offices	578,948	1.572	5th: Masterlink Securities
Branch Offices	638,244	1.733	
Dealers	622,204	1.690	
Central Government Bond Issues Auction Group	10	0.000	

**Table 18. Trading Value by Brokers & Dealers 1997-2001 (Percentage of Turnover)**

	2001	2000	1999	1998	1997
<b>Brokers:</b>					
Securities Brokerage Firms	95.01	94.32	94.57	95.38	95.36
Banking Brokers	3.31	3.49	3.49	3.06	3.27
<b>Dealers</b>					
	1.69	1.94	1.94	1.56	1.37
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

**Table 19. Number of Customer Accounts with Brokers 1997-2001**

Year & Month	No. of Brokers (Main Offices)	No. of New Accounts	Accumulated Investor Accounts
1997	209	2,071,922	7,746,543
1998	198	2,436,964	9,587,855
1999	193	1,714,349	10,916,426
2000	168	5,111,016	12,359,893
2001	157	1,317,812	12,910,531
Jan.	171	59,692	12,403,989
Feb.	169	109,752	12,452,515
Mar.	168	130,254	12,522,993
Apr.	167	77,090	12,595,860
May	167	120,119	12,647,558
Jun.	164	109,213	12,685,983
Jul.	166	98,287	12,745,791
Aug.	165	102,515	12,769,308
Sept.	164	79,935	12,810,645
Oct.	163	48,835	12,819,006
Nov.	160	191,662	12,842,626
Dec.	157	190,458	12,910,531