

# SECURITIES FIRMS

## REGISTRATION OF SECURITIES FIRMS

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

1. Securities underwriters who facilitate 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.

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

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.

## FUNDS AND RESERVES

After registration procedures, securities firms are required to deposit Business Guarantee Fund in SFC-designated banks by category. The required amount for each securities firm is as follows:

1. Securities underwriter: NT\$40 million
2. Securities dealer: NT\$10 million
3. Securities broker: NT\$50 million

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. To maintain

the financial integrity of the intermediaries, securities brokers are further 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 the net value of its capital 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 value of capital. Securities firms are also prohibited from providing financial guaranties or purchasing real estate for non-business use.

## SECURITIES FINANCING

Finance companies and qualified securities firms may offer securities financing services. Securities firms must meet certain requirements with respect to their capital, financial and operational conditions to become eligible for securities financing business.

For the purpose of managing the risks by the brokerage firms, the total margin position of each brokerage firm is limited. The credit balances in margin accounts and the value of short-selling positions for its whole customers are limited to 250% of its net worth.

## FOREIGN SECURITIES FIRMS

Foreign securities firms can apply for branch establishments in Taiwan if it meets 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 16. Status of Trading Amount of Securities Firms 2003**

Classification of Securities and Securities Firms	Trading Value (NT\$ Million)	%	Notes
<b>Classification by Securities</b>			
Total	40,897,323	100.000	<p>1. The trading value covers both buy and sale value.</p> <p>2. The trading value is exclusive of central government bond block trading value.</p> <p>3. The trading value is exclusive of auction and tender offer.</p> <p>4. Securities firms with the largest trading value:                      1st: YuanTa Core Pacific Securities                      2nd: Fubon Securities                      3rd: Sinopac Securities                      4th: Jih Sun Securities                      5th: Polaris Securities</p>
Stocks	40,607,638	99.292	
Government Bonds exclusive of central	0	0.000	
Corporate Bonds (Convertible Bonds are not included)	0	0.000	
Convertible Bonds	19,851	0.049	
Beneficiary Certificates	4,375	0.011	
Warrants	236,681	0.579	
Taiwan Depository Receipts	28,778	0.070	
<b>Classification by Securities Firms</b>			
Securities Brokerage Firms	38,505,955	93.996	
Main Offices	10,725,767	26.182	
Branch Offices	27,780,188	67.814	
Banking Brokers	1,354,064	3.305	
Main Offices	696,682	1.701	
Branch Offices	657,382	1.605	
Dealers	1,105,543	2.699	
Central Government Bond Issues Auction Group	0	0.000	

**Table 17. Trading Value by Brokers & Dealers 1999-2003  
(Percentage of Turnover)**

	2003	2002	2001	2000	1999
<b>Brokers:</b>					
Securities Brokerage Firms	94.00	94.90	95.00	94.32	94.57
Banking Brokers	3.31	3.21	3.31	3.8	3.49
<b>Dealers</b>	2.70	1.89	1.69	1.88	1.94
<b>Total</b>	100.00	100.00	100.00	100.00	100.00

**Table 18. Number of Customer Accounts with Brokers 1999-2003**

Year & Month	No. of Brokers (Main Offices)	No. of New Accounts	Accumulated Investor Accounts
1999	193	1,714,349	10,916,426
2000	169	5,111,016	12,359,893
2001	157	1,317,812	12,910,531
2002	137	2,602,285	12,869,344
2003	121	1,691,153	13,053,178
Jan.	135	47,157	12,911,339
Feb.	135	69,214	12,971,942
Mar.	133	79,715	12,996,206
Apr.	132	60,050	13,016,806
May	132	52,218	13,024,413
Jun.	129	213,930	13,052,815
Jul.	129	85,833	13,010,319
Aug.	129	111,297	13,014,182
Sep.	127	85,258	13,023,630
Oct.	125	241,859	12,981,441
Nov.	123	527,437	13,013,782
Dec.	121	117,185	13,053,178