

TAIWAN
STOCK
EXCHANGE



SECURITIES FIRMS

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▶ REGISTRATION

Under the Securities and Exchange Law, securities companies are categorized as follows:

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 FSC.

No securities firm shall commence operations prior to receipt of approval and license from the FSC.

The minimum capital requirements for securities firms are as follows:

1. Securities underwriters: NT\$400 million
2. Securities dealers: NT\$400 million
3. Securities brokers: NT\$200 million

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

▶ BUSINESS GUARANTEE FUND AND LOSS RESERVES

After registration procedures, securities firms are required to deposit a Business Guarantee Fund in FSC-designated banks. The required amount for different categories of securities firm is as follows:

1. Securities underwriters: NT\$40 million
2. Securities dealers: NT\$10 million
3. Securities brokers: NT\$50 million

Another NT\$10 million is required for any additional branch office.

Each securities firm is also required to deposit a Settlement and Clearing Fund at TSEC. To maintain the financial integrity of the intermediaries, securities brokers are further required to set up a Default Loss Reserve, while dealers are required to set up a Trading Loss Reserve as stipulated by the FSC.

► FINANCIAL INTEGRITY

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

Securities 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 in order to become eligible for securities financing business.

For the purpose of managing the level of risk securities firms are exposed to, the total margin position of each securities firm is limited. The total amount of monetary financing and securities extended to customers shall not be more than 250% of the net worth of a securities firm.

▶ FOREIGN SECURITIES FIRMS

Foreign securities firms can apply to establish branches in Taiwan provided they 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 most recent two years.

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

Table 18. Status of Trading Value of Securities Firms 2004

Classification	Trading Value (NT\$ Million)	%	Notes
Classification by Securities			
Total	48,355,607	100.000	1. The trading value covers both buy and sale value.
Stocks	47,750,732	98.749	
Government Bonds	0	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	7,959	0.016	3. The trading value is exclusive of auction and tender offer.
Beneficiary Certificates	161,695	0.334	
Warrants	415,501	0.859	
Taiwan Depository Receipts	19,720	0.041	
Classification by Securities Firms			
Securities Brokerage Firms	45,366,790	93.819	4. Securities firms with the largest trading value: 1st: YuanTa Core Pacific Securities 2nd: Fubon Securities 3rd: Taiwan Securities 4th: SinoPac Securities 5th: KGI Securities
Main Offices	11,895,854	24.601	
Branch Offices	33,470,936	69.218	
Banking Brokers	1,334,571	2.760	
Main Offices	643,444	1.331	
Branch Offices	691,128	1.429	
Dealers	1,654,246	3.421	
Central Government Bond Issues Auction Group	0	0.000	

**Table 19. Trading Value by Brokers & Dealers 2000-2004
(Percentage of Turnover)**

	2004	2003	2002	2001	2000
Brokers:					
Securities Brokerage Firms	93.819	94.00	94.90	95.00	94.32
Banking Brokers	2.76	3.31	3.21	3.31	3.8
Dealers	3.421	2.70	1.89	1.69	1.88
Total	100.00	100.00	100.00	100.00	100.00

Table 20. Number of Customer Accounts with Brokers 2000-2004

Year & Month	No. of Brokers (Main Offices)	No. of New Accounts	Accumulated Investor Accounts
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
2004	114	1,376,963	13,720,461
Jan.	121	58,565	13,134,585
Feb.	119	107,457	13,210,797
Mar.	118	240,098	13,318,236
Apr.	118	123,890	13,406,972
May	118	100,410	13,445,149
Jun.	118	79,530	13,484,008
Jul.	116	71,017	13,524,310
Aug.	116	70,716	13,554,024
Sept.	116	59,899	13,598,554
Oct.	114	240,426	13,624,844
Nov.	114	61,171	13,656,585
Dec.	114	163,784	13,720,461