

Questions frequently asked by FCMs

	Question	Answer
1	<p>What qualification requirements must be met by a party seeking to establish a futures commission merchant (FCM)?</p>	<ol style="list-style-type: none"> 1. The "Standards Governing the Establishment of Futures Commission Merchants" set out the provisions governing the qualifications of those seeking to operate either exclusively or concurrently as an FCM. 2. Minimum authorized capital or allocated operating capital: <ol style="list-style-type: none"> (1) Futures brokerage market: NT\$200 million (brokers) or NT\$400 million (dealers). (2) Futures proprietary market: NT\$50 million, NT\$80 million, NT\$100 million, or NT\$200 million (brokers; amount depends on the range of products handled) or NT\$400 million (dealers). 3. Article 7 of the TAIFEX Operating Rules requires that FCMs be TAIFEX shareholders, but there are no requirements regarding the number of shares that must be held.
2	<p>How much does it cost to become a TAIFEX trading member?</p>	<ol style="list-style-type: none"> 1. Apart from the requirement to hold TAIFEX shares, there are no other required costs. 2. When entering into a contract with TAIFEX for the use of trading information, a member must lodge a network connection bond of NT\$1 million, which will be returned after two years.

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3	How long does the FCM application process take?	The process takes about five or six months from the time the application is submitted to the relevant authority until the commencement of business, if everything goes as intended.
4	What is the minimum number of persons that must be hired by an FCM?	A party that runs either a futures brokerage or futures dealer is required to employ at least three qualified associated persons. A party that runs both a brokerage and a dealer must employ at least five qualified associated persons. In addition, it is also necessary to employ an in-charge accountant(qualified associated persons required), cashiers, and information personnel.
5	How are TAIFEX shares purchased? What is the cost?	<p>1. TAIFEX is not listed on the stock exchange, so our shares cannot be purchased on the open market. The easiest way is to buy shares from a clearing member with which you expect to do business.</p> <p>2. The book value per share for TAIFEX stock and recent transaction prices will give some idea of the approximate cost, but the actual trading price must still be agreed upon by the two parties.</p>
6	How much allocated operating capital must a concurrently operated futures brokerage have to	Under current law, a party that has applied to concurrently operate a futures brokerage is allowed to trade in gold futures if its allocated operating capital is not less than NT\$100 million.

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	trade in gold futures?	
7	Who can apply to become a market maker?	Non-futures dealers are allowed to apply for market making for gold ,interest rate and FX products. However, only futures dealers are allowed to apply for market making . The qualification requirements for market makers are available on the TAIFEX website.
8	What are the qualification requirements to become a TAIFEX member?	Information is available in English at www.taifex.com.tw . (Click on: Trading →Member Information→Requirements for Participation)
9	Are FCMs allowed to act as domestic agents for foreign investors?	Yes, the relevant authorities have allowed them to do so since October 2007.
10	If an FCM's computer system goes down, is it allowed to provisionally report its daily net capital by fax?	Yes, an FCM may first report the information by fax and then supplement later with by submitting a report online.
11	How is the term "internal personnel" defined at firms run exclusively as futures dealers, at firms run concurrently as futures dealers, and at futures introducing brokers?	1. At futures introducing brokers, "internal personnel" means: (1) The person responsible, directors, and supervisors of a futures introducing broker (in the case of a juristic-person director or supervisor, the term refers only to the director or supervisor itself, or to its representative). (2) Personnel in a department dedicated to the handling of futures

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		<p>introducing brokerage business, and the supervisor responsible for overseeing that department.</p> <p>2. At FCMs, "internal personnel" means: (1) The person responsible, directors, and supervisors of a firm operated either exclusively or concurrently as an FCM (in the case of a juristic-person director or supervisor, the term refers only to the director or supervisor itself, or to its representative). (2) Associated persons and other personnel of a firm operated exclusively as an FCM. (3) In a firm operated concurrently as an FCM, personnel in the futures department, and the supervisor responsible for overseeing that department.</p>
12	Can premises and facilities be shared for the conduct of securities dealing and futures dealing?	Point 5, paragraph 2 of the "Chinese National Futures Association Guidelines for the Business Premises and Facilities of Members" provides as follows: "If a securities firm or financial institution concurrently conducts futures dealer business, facilities may be shared for the concurrent operation of securities dealing and futures dealing."
13	Can a single person engage concurrently in securities dealing and	Article 7 of the "Regulations Governing Responsible Persons and Associated Persons of Futures Commission Merchants" provides as

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	futures dealing?	<p>follows: "In the case of a securities firm that concurrently operates futures business, if the brokerage trading business referred to in subparagraph 1 of the preceding paragraph is performed by associated persons qualified as associated persons for both securities and futures business, such persons may concurrently engage in brokered securities trading and brokered futures trading; if the proprietary trading business referred to in subparagraph 2 of the preceding paragraph is performed by associated persons qualified as associated persons for both securities and futures business, such persons may concurrently engage in proprietary securities trading and proprietary futures trading; if the internal auditing referred to in subparagraph 3 of the preceding paragraph is performed by associated persons qualified as associated persons for both securities and futures business, such persons may concurrently engage in the internal auditing of securities and futures business activities."</p>
14	The rule on application for switching transactions from an error account to a correct account requires	Correction error account requires error account and correct account belong to the same FCM branch. However, according to the principles of dealing error trades, it does not require error

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	the error account and the correct account belongs to the same investor of the same FCM branch. If such investor is a client of an IB, do the error account and the correct account must belong to the same IB?	account and correct account belong to the same IB.