

Instructions of Foreign Exchange Settlement for Foreign Currency Denominated Futures Contracts Traded on Taiwan Futures Exchange

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I. Futures Commission Merchants Handle Foreign Exchange Settlement for USD-Denominated or JPY-Denominated Futures Contract on Traders' Behalf

1. Domestic traders, overseas Chinese, and foreign nationals residing in the R.O.C. who engage in trading futures contracts denominated in USD or JPY on the Taiwan Futures Exchange may authorize futures commission merchants to handle foreign exchange on their behalf, instructions are as follows:

(1) Deposits and Withdrawals of Margin

a. USD-Denominated Futures Contract:

For handling margin deposit, establishing positions, meeting margin calls, and withdrawing margin, the margin should be delivered in USD. However, the trader may deposit the margin in NTD or JPY to customer segregated margin account of the futures commission merchants and authorize the futures commission merchants to handle the foreign exchange on the trader's behalf.

b. JPY-Denominated Futures Contract:

For handling margin deposit, establishing positions, meeting margin calls, and withdrawing margin, the margin should be delivered in JPY. However, the trader may deposit the margin in NTD or USD to customer segregated margin account of the futures commission merchants and authorize the futures commission merchants to handle the foreign exchange on the trader's behalf.

(2) Foreign Exchange Settlement on Traders' Behalf for Withdrawing Margin

Domestic traders, overseas Chinese, and foreign nationals residing in the R.O.C. who engage in trading futures contracts denominated in foreign

currency on the Taiwan Futures Exchange may authorize futures commission merchants to settle foreign exchange into NTD in accordance with the current practice of foreign futures trading.

(3) Prohibition of Foreign Exchange Settlement on Behalf of Others

Futures commission merchants shall not handle foreign exchange settlement and obtain NTD on behalf of clients who did not engage in trading foreign currency denominated futures contracts on the Taiwan Futures Exchange.

2. Overseas Chinese or foreign nationals residing outside of the R.O.C. engaged in trading USD-denominated or JPY-denominated futures contracts on the Taiwan Futures Exchange shall carry out the margin collection and payment in foreign currencies announced by the Taiwan Futures Exchange, but the gains and losses trading from USD-denominated or JPY-denominated futures contracts on the Taiwan Futures Exchange shall be calculated in USD and JPY respectively. In case of losses, the trader may authorize the futures commission merchants to handle the foreign exchange on the trader's behalf.

II. Futures Commission Merchants Handle Foreign Exchange Settlement for RMB-Denominated Futures Contracts on Traders' Behalf

1. Domestic Traders, Overseas Chinese or Foreign Nationals Residing in the R.O.C.

(1) Establishing New Positions of RMB-Denominated Futures Contracts:

To establish new positions of RMB-denominated futures contracts, the margin and premium shall be delivered in RMB by domestic traders, overseas Chinese or foreign nationals residing in the R.O.C..

(2) Margin Calls for RMB-Denominated Futures Contracts:

The margin call and loss for RMB-denominated futures contracts may be delivered in other currencies and the trader shall authorize the futures commission merchants to settle the foreign currency into RMB on the

trader's behalf.

(3) Other Situations:

Domestic traders, overseas Chinese or foreign nationals residing in the R.O.C shall not pay fees, transaction taxes, and losses for trading non-RMB denominated futures contracts from his excess RMB margin account.

2. Overseas Chinese or Foreign Nationals Residing Outside of the R.O.C.

(1) Establishing New RMB-Denominated Short-Option or Futures Positions:

To establish new RMB-denominated short-option or futures positions, the Overseas Chinese or foreign nationals residing outside of the R.O.C. can pay margin in foreign currencies announced by the Taiwan Futures Exchange.

(2) Establishing New RMB-Denominated Long-Option Positions:

To establish new RMB-denominated long-option positions, the overseas Chinese or foreign nationals residing outside of the R.O.C. shall pay the premium in RMB. However, when entering new RMB-denominated long-option orders, the premium can be paid in other currencies, once the new position is established, the premium shall be paid in RMB.

(3) Other Situations:

When the overseas Chinese or foreign nationals residing outside of the R.O.C. withdraw the excess RMB margin, the procedure is the same as withdrawing other foreign currencies, and shall follow the provisions of "Directions for Futures Trading by overseas Chinese and foreign nationals".

3. In the case of default, futures commission merchants may settle the balance (including RMB) of the trader's margin account into the currency that should be paid with.