

# **The TAIFEX Handbook for Foreign Investors**



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## **1. Objective**

This handbook has been compiled to help overseas Chinese and foreign nationals better understand how to access Taiwan's futures market and to familiarize them with the market's operational rules and regulations. The handbook contains definitions of the different categories of overseas Chinese and foreign nationals, as well as descriptions of account opening processes, trading and clearing procedures, position reporting, and market surveillance for direct accounts and omnibus accounts. It explains how to apply for an ID, appoint a local agent and handle foreign exchange settlements. For reference purposes, it also includes links to relevant rules and regulations. The handbook offers foreign investors a clear and comprehensive picture of the operations of the Taiwan Futures Exchange (TAIFEX) and the procedures for trading on it.

## **2. Offshore Overseas Chinese and Foreign Nationals**

### **(1) Step 1- Appointing a Local Agent**

#### **i. Definition of Offshore Overseas Chinese and Foreign Nationals**

The term "offshore overseas Chinese and foreign nationals" means overseas Chinese, foreign natural persons and foreign institutional investors outside the territory of the Republic of China (Taiwan).

##### **(i) Offshore overseas Chinese and foreign natural persons:**

Individuals who have a nationality other than that of the Mainland China area, are at least 20 years old and hold an identification certificate.

##### **(ii) Offshore foreign institutional investors:**

An institutional investor established outside Taiwan territory in accordance with local law, or a branch company established in Taiwan territory by an overseas juristic person.

#### **ii. Appointing a Local Agent**

Offshore overseas Chinese and foreign nationals intending to participate in Taiwan's futures market must first appoint a local agent or representative to handle the following matters:

- (i) Obtaining an ID on behalf of the overseas Chinese or foreign national (individual traders under the undisclosed omnibus account may choose not to apply for IDs);
- (ii) Opening a futures trading account;
- (iii) Performing required reporting and making tax payments;
- (iv) Applying for foreign exchange settlement;
- (v) Exercising rights associated with futures trading;
- (vi) Opening a foreign currency account for futures trading (limited to custodian banks and FCMs<sup>1</sup>);
- (vii) Settling futures trades and reporting of relevant information (limited to custodian banks and FCMs<sup>2</sup> );
- (viii) Executing the clearing and settlement procedures (limited to custodian banks and FCMs);
- (ix) Reporting to the foreign exchange authorities on the utilization of funds (limited to custodian banks and FCMs<sup>3</sup>);
- (x) Trading securities and conducting physical delivery (limited to custodian banks);

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<sup>1</sup>境外華僑及外國人從事期貨交易，應指定國內代理人申請開設期貨交易外匯存款專戶。其指定之開戶代理人，以境內期貨商或金融機構為限。

To engage in futures trading, an offshore overseas Chinese or foreign national should designate a local agent to apply for opening a segregated foreign exchange deposit account for futures trading. The agent designated to open such account should be a local FCM or financial institution.

<sup>2</sup>境外華僑及外國人從事期貨交易，應指定經主管機關核准得經營保管業務之銀行或期貨經紀商擔任代理人，辦理有關期貨交易之結算交割及資料申報等事宜。

To engage in futures trading, an offshore overseas Chinese or foreign national should appoint a bank approved by the competent authority to provide custodial services, or an FCM, to act as its agent to handle matters related to futures trading, such as clearing, settlement and reporting of relevant information.

<sup>3</sup>境外華僑及外國人委託國內期貨商從事期貨交易，應提供委託紀錄，並由其指定為代理人之保管銀行或期貨經紀商辦理結算交割手續。

An offshore overseas Chinese or foreign national placing an order with a local FCM to engage in futures trading should provide a trading record and have the clearing and settlement procedures executed by the custodian bank or the FCM designated as its agent.

**iii. The required qualifications for local agents and representatives are as follows:**

**(i) Local agent**

- A. Natural persons: Must have legal capacity. If the person is a natural person who is an overseas Chinese or a foreign natural, he must be living within Taiwan territory and possess an Overseas Compatriot Identity Certificate, or an ROC passport with an Overseas Compatriot Identity Endorsement, or an Alien Resident Certificate.
- B. Juristic persons: Such persons must be established under the law of Taiwan and be entitled to operate an agency business.
- C. Foreign juristic persons: Such persons should have established a branch office within the territory of Taiwan that is entitled to operate an agency business.

Where a juristic person or a foreign juristic person as set forth is retained as an agent, it must appoint a natural person to execute its agency business.

**(ii) Representative**

It should be the representative of a representative office established in Taiwan, or the responsible person of a branch office established in Taiwan.

**(2) Step 2- Obtaining an ID**

**i. Obtaining an ID**

Offshore overseas Chinese and foreign nationals except individual traders under the undisclosed omnibus account should obtain an ID from the Taiwan Stock Exchange (TWSE) through their local agent or representative.

**ii. Application Documents**

- (i) Natural persons: application for registration; power of attorney to agent or letter of appointment to representative; and a

passport, identification certificate or other document with a photo attached which can prove the applicant's nationality or status.

- (ii) Institutional Investors: application for registration; power of attorney to agent or letter of appointment to representative; and certificate of incorporation issued by a local governing authority or the equivalent.

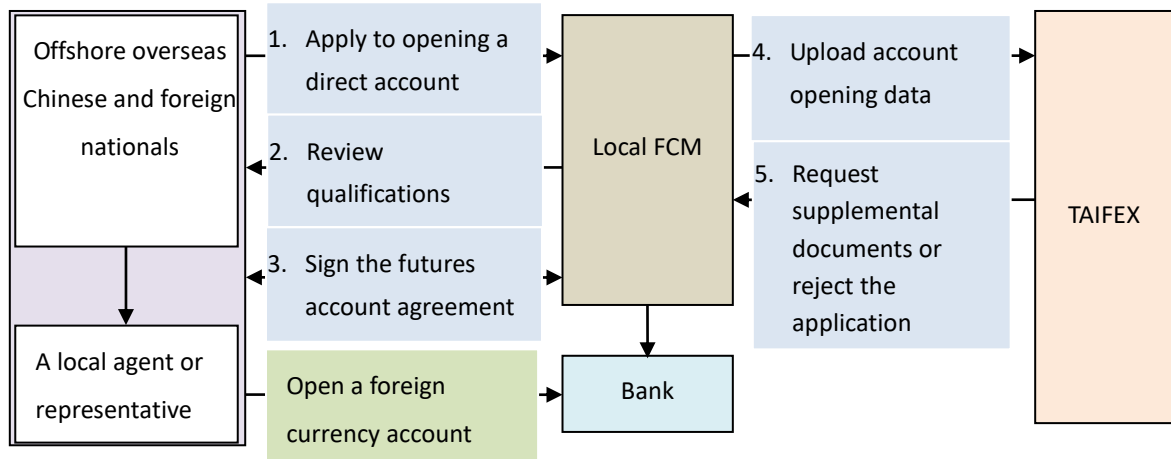
### **(3) Step 3- Opening an Account**

#### **3.1 Opening a Direct Account**

The local agent or representative should provide the following documents to the local FCM for processing:

- i. A photocopy of certificate of completion of identity registration.
- ii. A photocopy of the national ID, alien resident certificate or company registration (or amended registration) certificate of the local agent or representative.
- iii. A photocopy of the contract with the local agent or power of attorney for the agent, the contents of which should comply with the applicable provisions of the TAIEX Operating Rules and the laws and regulations of the competent authority. (The photocopy of the contract may be replaced by a declaration submitted by the local agent. The declaration should state that the contents of the contract entered into between the offshore overseas Chinese and foreign nationals and the local agent comply with the applicable provisions of the TAIEX Operating Rules and the laws and regulations of the competent authority.)

### Procedure for Opening a Direct Account



### 3.2 Opening an Omnibus Account

A foreign FCM may open an omnibus account with a local FCM.

- i. Only an FCM that meets the following qualifications and conditions with respect to financial structure may provide an omnibus account to a foreign FCM.
  - (i) Other businesses operating concurrently as futures commission merchants shall allocate at least NT\$80 million in designated operating funds; futures commission merchants shall have minimum paid-in capital of NT\$200 million.
  - (ii) Total current liabilities may not exceed total current assets.
  - (iii) Total liabilities less futures traders' equity shall not exceed 80 percent of its owner's equity.
  - (iv) Owner's equity shall not be less than 80 percent of paid-in capital.
  - (v) The designated operating funds allocated by another business operating concurrently as a futures commission merchant are less than NT\$100 million: Adjusted net capital shall not be less than 30 percent of the total client margins required for outstanding positions. The designated operating funds allocated by another business operating concurrently as a futures commission merchant are over NT\$100 million but less than NT\$200 million: Adjusted net capital shall not be less than

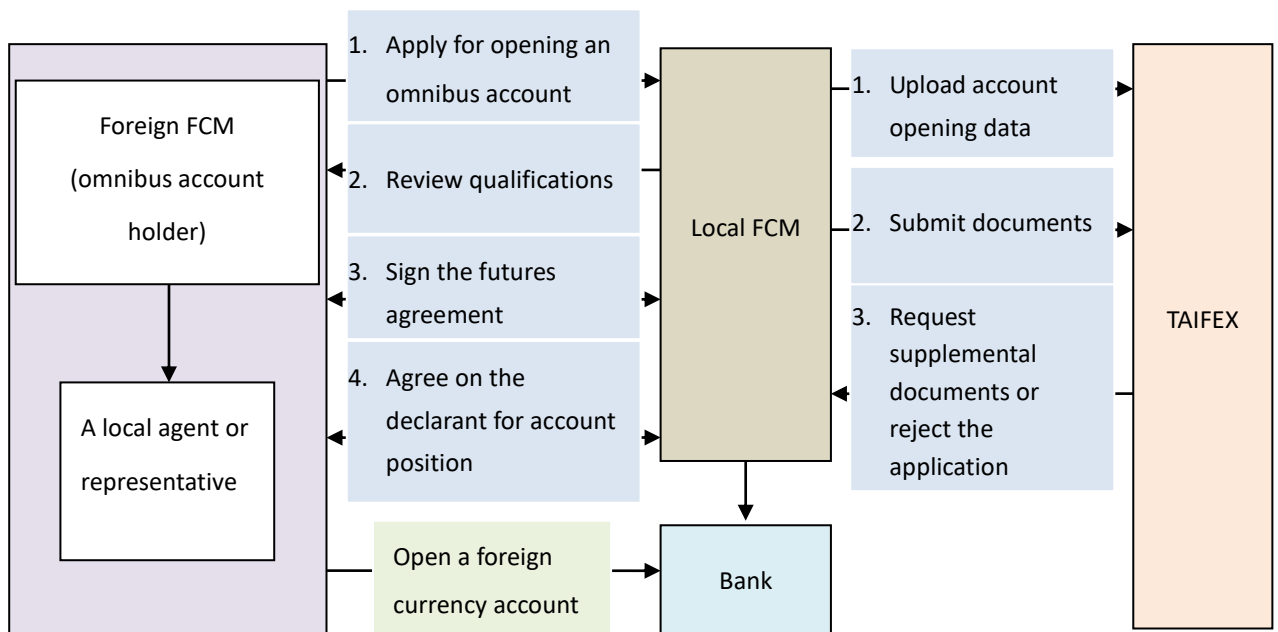
25 percent of the total client margins required for outstanding positions. The minimum paid-in capital of a futures commission merchant or the designated operating funds allocated by another business operating concurrently as a futures commission merchant are NT\$200 million or more: Adjusted net capital shall not be less than 20 percent of the total client margins required for outstanding positions.

- ii. A foreign FCM that intends to open an omnibus account with a local FCM must meet the following criteria:
  - (i) Possess certification that it is a qualified member of a foreign futures exchange recognized by the competent authority;
  - (ii) Provide a declaration stating that within the past one year neither the FCM in its home country, nor its branch unit in Taiwan, has been sanctioned by a relevant authority or self-regulatory institution for securities or futures by the suspension of the securities or futures brokerage business of its head (or a branch) office;
  - (iii) Provide a declaration stating that within the past three years, it has not breached a futures trading contract or securities trading contract in its home country or Taiwan, or violated the reporting obligations where the circumstances are serious; and
  - (iv) Provide a declaration stating that within the past three years, it has not had its omnibus account cancelled by TAIEX.

An overseas subsidiary in which the securities firm or the futures commission merchant has shareholdings in excess of 50 percent with approval to operate futures brokerage business from the local competent authority meeting the conditions of (ii), (iii) and (iv) may open an omnibus account with a local FCM.



## Procedure for Opening an Omnibus Account



### 3. Onshore Overseas Chinese and Foreign Nationals

#### (1) Step 1- Obtaining an ID

##### i. Definition of Onshore Overseas Chinese and Foreign Nationals

The term "onshore overseas Chinese and foreign nationals" means overseas Chinese, foreign natural persons and foreign institutional investors inside the territory of Taiwan.

- (i) Onshore overseas Chinese and foreign natural persons: Persons at least 20 years old, residing in the territory of Taiwan possessing an Overseas Compatriot Identity Certificate, a passport with an Overseas Compatriot Identity Endorsement, or an alien resident certificate.
- (ii) Onshore foreign institutional investors: Foreign juristic persons with a branch office in the territory of Taiwan.

##### ii. Obtaining an ID

- (i) Onshore overseas Chinese and foreign nationals applying for

registration should appoint a securities brokerage firm or an FCM to apply to TWSE.

**(ii) Application Documents**

- A. Onshore overseas Chinese and foreign natural persons: registration form, passport and alien resident certificate or Overseas Compatriot Identity Certificate.
- B. Onshore foreign institutional investors: registration form; a Recognition Certificate from the Ministry of Economic Affairs; company registration certificate; and the identification certificate, alien resident certificate or passport of the responsible person.

**iii. Procedure**

- (i) Onshore overseas Chinese and foreign nationals applying for registration must complete the "Registration Form for Onshore Overseas Chinese and Foreign Nationals to Invest in ROC Securities or to Trade ROC Futures," prepare the required documents and appoint a securities brokerage firm or FCM to handle the application process with the TWSE.
- (ii) Transmission and review of registration forms
  - A. Once the securities brokerage firm or FCM transmits the registration form completed online to the TWSE system, the TWSE immediately reviews each item of the transmitted material and provides the results of its review online.
  - B. Once the securities brokerage firm or FCM prints the registration application form, has it personally signed by the onshore overseas Chinese or foreign national, and prints out the Certificate of Completed Registration for Onshore Overseas Chinese and Foreign Nationals, it may open the account.

**(2) Step 2- Opening an Account**

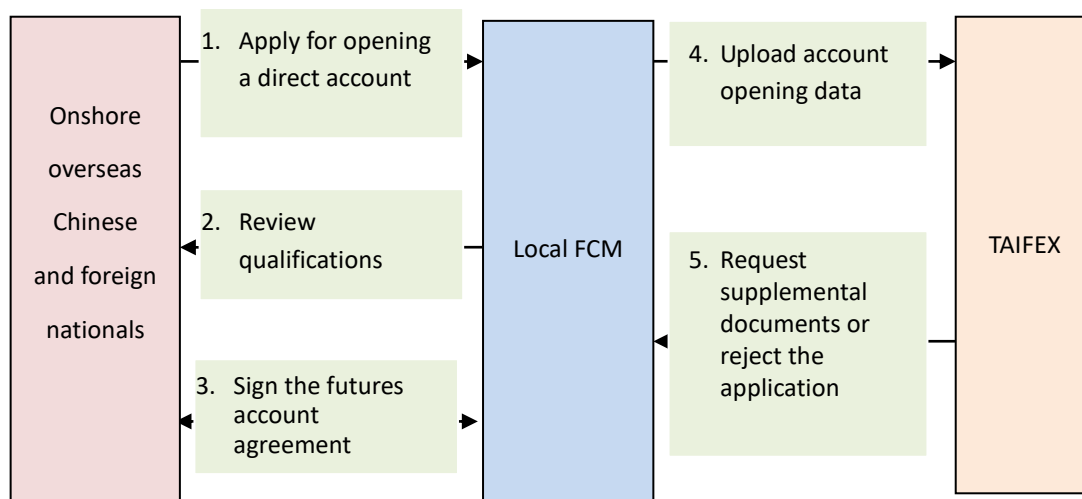
**i. Opening a Direct Account**

An FCM processing an account opening for an onshore overseas

Chinese or foreign national seeking to engage in domestic futures trading should obtain the documents listed below from the onshore overseas Chinese or foreign national before it opens the account:

- (i) Overseas Chinese and foreign natural persons: Photocopy of certification of completion of identity registration, passport and overseas Chinese identity certificate (or alien resident certificate);
- (ii) Foreign institutional investors: Photocopy of certificate of completion of identity registration, Ministry of Economic Affairs recognition certificate, company registration certificate, business registration certificate, and national identity card (or alien resident certificate or passport) of the responsible person.

#### Procedure for Opening a Direct Account



### (3) Other Rules

Rules for clearing and settlement as well as for position limits are the same for onshore overseas Chinese and foreign nationals as they are for local futures traders.

#### **4. Rules Regarding Clearing Operations for Offshore Overseas Chinese and Foreign Nationals**

##### **(1) Foreign Exchange Settlement**

Offshore overseas Chinese and foreign nationals engaging in futures trading through direct accounts or omnibus accounts must comply with the rules regarding foreign exchange settlement.

- i. Offshore overseas Chinese and foreign nationals engaging in the trading of futures contracts may, through their agent, designate in advance an FCM to handle conversions into New Taiwan Dollars (NTD) to pay profit-loss differences upon settlement or offsets before the expiry date, to pay futures brokers' commissions and taxes incurred, and to meet securities settlement requirements when the funds it has remitted under the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals are insufficient to meet the settlement requirements of its securities investments, provided that the amount of the conversion for any individual investor's direct account or for any omnibus account does not exceed NTD five million, respectively.
- ii. The balance in NTD resulting from the cumulative realized NTD profits gained from futures trading by an offshore overseas Chinese or foreign national combined with the amounts under the preceding paragraph may not exceed NTD300 million for any individual trader's direct account or any individual omnibus account.

If the limit set forth in the preceding paragraph is exceeded, the agent of the offshore overseas Chinese or foreign national must appoint an FCM within five business days to make a conversion into a foreign currency. The NTD balance after the conversion may not exceed NTD10 million.

An offshore overseas Chinese or foreign national engaging in futures trading may apply to withdraw excess margin. All the withdrawals must be made in a foreign currency stipulated by TAIFEX, i.e., applications for remittance should be made by the FCM in one of the foreign currencies stipulated by TAIFEX,

provided that there are excess margins.

The exchange rate of USD to NTD is based on the exchange rate price provided by Taipei Foreign Exchange. Other exchange rates of foreign currencies to USD are based on the average bid/ask prices provided by Refinitiv. TAIFEX updates reference exchange rates each time it makes mark-to-market adjustments or when extreme fluctuations in the exchange rate occur.

## (2) Data Reporting

To engage in futures trading, offshore overseas Chinese and foreign national investors must appoint a bank approved by the competent authority to offer custodial services or an FCM to act as its local agent and to handle matters related to futures trading, such as clearing and settlement and the reporting of relevant information. Local agents' responsibilities include settling futures trades and reporting to the authorities. Items needing to be reported include accumulated NTD realized gains, initial margins and each day's net deposits/withdrawals.

## (3) Margin Deposits/Withdrawals

- i. Offshore overseas Chinese and foreign nationals engaging in futures trading of NTD-, USD-, RMB- or JPY-denominated contracts should deposit and withdraw margins in the foreign currencies stipulated by TAIFEX.
- ii. TAIFEX's products and the corresponding currencies for margins are as follows:

<div> <div>Products</div> <div>Items</div> </div>		NTD-denominated Products	USD-denominated Products	RMB-denominated Products	JPY-denominated Products
Offshore overseas Chinese and foreign nationals	Collection and withdrawal of margins	Foreign currencies stipulated by TAIFEX	Foreign currencies stipulated by TAIFEX	Foreign currencies stipulated by TAIFEX	Foreign currencies stipulated by TAIFEX
	Profit/loss	NTD	USD	RMB	JPY

## **5. Rules Regarding Position Limits and Daily Reporting of Omnibus Account Positions of Offshore Overseas Chinese and Foreign Nationals**

### **(1) Position Limits**

- i. Position limits for offshore overseas Chinese and foreign nationals that trade futures contracts are the same as those for local traders. Total open interest in a product held on either the long or short side of the market at any time by a futures trader should not exceed the limits for that product. Namely, the open positions of the individual traders under the direct account and the omnibus account aggregated on the basis of the individual trader's ID number (or name), may not exceed the position limits set out in the trading rules for individual futures trading contracts of the TAIEX.
- ii. The open positions of the master account under the disclosed omnibus account are not subject to the position limits.
- iii. The open positions of the master account under the undisclosed omnibus account aggregated on the basis of the holder's ID number, may not exceed the position limits for the juristic person set out in the trading rules for individual futures trading contracts of the TAIEX.

### **(2) Increase of Position Limits**

- i. A foreign institutional investor may, for hedging purpose, submit relevant documents to TAIEX to apply to increase its position limits. The application procedure is as follows:
  - (i) An institutional trader with a need to hedge risk may apply for an increase in the institutional trader position limit to reach the hedging amount needed by submitting the "Application for Institutional Investors to Increase Position Limits for TAIEX Futures Contracts," its risk hedging plan, and related evidentiary documents to TAIEX. The period of the increase is limited to one year.
  - (ii) When the open interest in a product and the underlying of such product held by an institutional trader reaches a specified

level, the institutional investor may submit an application form and relevant documents to apply to TAIFEX to increase its position limit to either two times or three times the limit set out in the trading rules. The period of the increase is limited to either six months or two years.

- ii. An institutional trader may re-apply for an increase to its position limits prior to the expiration of a previous application in the event it deems such increase necessary or the amount of the previously approved position limit insufficient.
- iii. During the effective period of a position limit increase, the institutional trader, unless otherwise provided, may not engage in futures trading through an omnibus account. This restriction does not apply to the handling of trades for pre-existing open positions. The holder of the master account under the undisclosed omnibus may not apply to the TAIFEX to increase its position limit.

### **(3) Daily Reporting of Omnibus Account Positions**

The declarant for omnibus account positions can be designated as the offshore foreign FCM, the local agent of the offshore foreign FCM, or the FCM at which the omnibus account has been opened. The declarant is obligated to report the itemized futures transactions of its individual client under the omnibus account in accordance with the rules publicly announced by TAIFEX.

## 6. References

1. 「華僑及外國人從事期貨交易應行注意事項」  
[Directions for Futures Trading by Overseas Chinese and Foreign Nationals](#)
2. 「臺灣期貨交易所股份有限公司業務規則」  
[Operating Rules of the Taiwan Futures Exchange Corporation](#)
3. 「華僑及外國人與大陸地區投資人申請投資國內有價證券或從事國內期貨交易登記作業要點」  
[Operation Directions for Applications by Overseas Chinese, Foreign Nationals, and Mainland China Area Investors for Registration to Invest in Domestic Securities or Trade Domestic Futures](#)