

# 2024

# Law Enforcement Report

on Securities and Futures Markets



Taiwan Stock Exchange Corporation



Taipei Exchange



Taiwan Futures Exchange Corporation



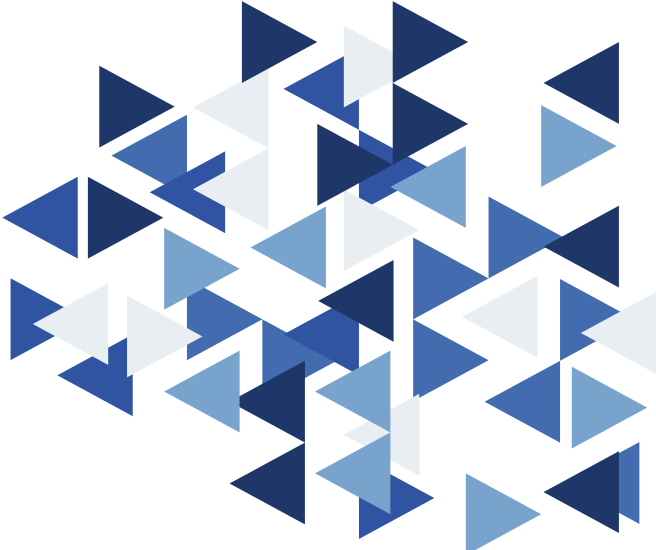
Securities and Futures Investors Protection Center

Supervised by



Securities and Futures Bureau Financial  
Supervisory Commission

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# Introduction

- A. Law Enforcement Policies and Approaches of the Securities and Futures Markets Sectors in Taiwan
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The Financial Supervisory Commission (FSC) is responsible for the development, supervision, management, and inspection of financial service industries and markets. Its duties include ensuring sound business operations of financial institutions, maintaining market stability, as well as promoting financial market development.

To foster national economic development, safeguard the rights and interests of securities investors and futures traders, maintain orderly securities plus futures market transactions, while promoting the sound development of Taiwan's securities and futures markets, the FSC established the Securities and Futures Bureau (SFB). The SFB is responsible for overseeing securities and futures markets and industries, as well as the drafting, planning, plus implementation of relevant policies and regulations. If public companies, their responsible persons, insiders, intermediaries and their responsible persons, business personnel, investors, other market participants or related parties violate the Securities and Exchange Act, Futures Trading Act, Securities Investment Trust and Consulting Act, or other relevant regulations, the SFB actively takes enforcement actions to maintain market order to protect investors' interests.

While developments such as recent geopolitical shifts, the net-zero transition, and digital innovation pose significant challenges to global capital markets, these developments also present potential opportunities. Taiwan's capital market has demonstrated resilience and dynamism, steadily adapting to external changes while driving institutional reforms alongside technological innovation to sustain its forward momentum. To build a strong, competitive financial system, the FSC adheres to the principle of advancing financial security in parallel with development. Based on the dual foundations of prudential supervision in combination with innovative development, the FSC promotes six major policy areas: (1) strengthening capital resilience and risk supervision; (2) improving market conduct and corporate governance; (3) implementing financial inclusion and consumer protection; (4) promoting financial market development; (5) accelerating financial and technological advancement; and (6) enhancing sustainable finance.

The FSC will continue to foster the upgrade and transformation of the capital market with an open, inclusive, and innovative mindset. It aims to strengthen market resilience, expand market scale, as well as enhance international connectivity along with supervisory modernization. Looking ahead, the FSC will collaborate with securities and futures-related institutions plus market participants to strengthen financial security, enhance resilience, foster innovation in tandem with sustainability, while building an even fairer, more transparent, open, diverse, and internationalized capital market. This will enable more individuals and businesses to share the benefits of economic growth alongside transformation. The related promotion strategies and guidelines for 2024 are explained as follows.

## Planning the Asian Asset Management Center:

Taiwan possesses advantages such as substantial private wealth, abundant industrial investment opportunities, high public investment willingness, solid momentum, plus government support, providing a solid foundation for the building of the Asian Asset Management Center aimed at keeping investment capital focused on domestic opportunities, while attracting foreign investments. Therefore, to position Taiwan as the Asian Asset Management Center, the FSC has collaborated with peripheral organizations to develop strategic goals and launch a six-year plan that focuses on the retention of domestic wealth while attracting foreign investment.

Under the Asian Asset Management Center initiative, sixteen strategies have been outlined to expand Taiwan's capital market. The FSC will focus on three key priorities: strengthening securities investment trust enterprises, expanding the stock market, in addition to augmenting the asset management business of securities firms. Building on this, there are 26 regulatory provisions expected to be reviewed and amended over the next three years (2024-2026). In addition, the asset management scale of securities investment trust and consulting enterprises is projected to grow by 30% within two years. The first active ETF and other new products are scheduled to be listed within two to four years. These efforts aim to retain capital domestically while reinforcing Taiwan's role as the Asian Asset Management Center.

## Continue to promote the Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies and launch the Green and Transition Finance Action Plans:

Grounded in the framework of the Corporate Governance 3.0 - Sustainable Development Blueprint and the Sustainable Development Roadmap for TWSE/TPEX Listed Companies, the FSC launched the Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies on March 28, 2023, to advance corporate sustainability practices. This action plan is built around four key pillars: governance, transparency, digitalization, and innovation. It is centered on leading enterprises to achieve net zero, deepening corporate sustainable governance culture, refining sustainable information disclosure, strengthening stakeholder communication, and promoting ESG evaluation together with digitization. A total of 33 specific measures are set to be implemented between 2023 and 2028. Several major accomplishments were attained in 2024. TWSE/TPEX-listed companies with capital of NT\$10 billion or more, along with steel and cement industry companies, completed independent greenhouse gas inventory alongside assurance disclosures as required.

The FSC revised Corporate Governance Evaluation (CGE) indicators to encourage TWSE/TPEX-listed companies to disclose their 2030 carbon reduction targets, strategies, and action plans. Additionally, the Regulations Governing Establishment of Internal Control Systems by Public Companies were amended, requiring these companies to incorporate sustainability information management into their internal control systems and include it as a mandatory annual audit item.

The Rules Governing the Preparation and Filing of Sustainability Reports by TWSE/TPEX Listed Companies were also revised, mandating that all TWSE/TPEX-listed companies prepare sustainability reports starting in 2025. The scope of sustainability report reviews was expanded, with strengthened management of assurance institutions to enhance information quality. Furthermore, amendments to the Regulations Governing Information to be Published in Annual Reports of Public Companies require TWSE/TPEX-listed companies with less than one-third board representation of either gender to disclose specific reasons and planned measures to improve board gender diversity in their annual reports starting in 2025.

Lastly, starting in 2024, TWSE/TPEX-listed companies with capital of NT\$10 billion or more, including financial or insurance companies, must have independent directors comprise no less than one-third of the board at the time of board re-election. In addition, half of the independent directors of TWSE/TPEX-listed companies may not serve more than three terms.

Since introducing the Green Finance Action Plan 1.0 in 2017, followed by the launch of version 2.0 in August 2020, with version 3.0 released in September 2022, the FSC has fostered a positive cycle in the sustainable finance ecosystem. As part of the effort to support Taiwan's net-zero transition and to respond to international trends in transition finance, the FSC initiated the Green and Transition Finance Action Plans on October 29, 2024, to advance green finance. The initiative aims to achieve environmental sustainability, social prosperity, in addition to sound governance. It is built around five core strategies: (1) collaborating with government and enterprises to promote the net-zero transition; (2) guiding private capital toward sustainable infrastructure and low-carbon industry and technologies; (3) strengthening the financial industry's resilience to ESG-related and emerging risks; (4) enhancing sustainability awareness and capacity building; and (5) leveraging financial influence to increase international visibility. In addition, the action plan prioritizes six key areas: (1) financial support for corporate net-zero transition; (2) compiling corporate carbon emission data and enhancing climate resilience; (3) encouraging the financial industry to disclose carbon reduction targets, strategies, and nature-related financial information; (4) promoting sustainable finance certifications and talent cultivation; (5) improving sustainable finance evaluation plus cooperation mechanisms; and (6) expanding international influence. A total of 30 specific measures will be implemented to guide the financial industry, enterprises, along with society as a whole toward achieving net-zero emissions by 2025 to promote sustainable development.

The following sections outline Taiwan's enforcement policies and approaches for the securities and futures market, the enforcement framework and the regulatory focus for 2024.

## A. Law Enforcement Policies and Approaches of the Securities and Futures Markets Sectors in Taiwan

Effective enforcement ensures that securities and futures market participants comply with the Securities and Exchange Act in addition to related regulations. It is a critical component in maintaining market order together with protecting investor interests.

Taiwan adopts the following policies and methods to ensure the effectiveness of enforcement actions while protecting the rights of those subject to enforcement.

1. Enforcement actions are taken in accordance with relevant legal regulations, considering the specific nature of each case, the risk and severity of specific violations, the degree of culpability, the resulting impact, along with any benefits gained from such violations.
2. Enforcement targets include public companies, their responsible persons, managers, insiders, as well as intermediary institutions along with their responsible persons, practitioners, investors, as well as other market participants.
3. Intermediary institutions are subject to stringent supervision. In addition to regular general inspections, targeted inspections are carried out for specific operations or items in order to facilitate early issue detection, prompt correction of deficiencies, and the promotion of sound business practices.
4. Enforcement actions include relevant administrative investigations and imposing penalties such as corrections, administrative penalties, warnings, suspension of business, dismissal, and revocation of business licenses. In cases involving criminal violations, the matter is referred to the Ministry of Justice Investigation Bureau or Prosecutors Office for investigation or prosecution in accordance with official procedures.
5. Before enforcement actions are taken, subjects are given fair opportunities to provide statements and take corrective actions within a specified period as required by relevant legal regulations.
6. Enforcement-related information is disclosed to enhance market participants' understanding of applicable regulations and to help deter future violations.



## B. Law Enforcement Framework of the Securities and Futures Market in Taiwan

The FSC is responsible for supervising and enforcing Taiwan's securities and futures markets. It collaborates with peripheral organizations to oversee the issuance and trading aspects of the markets, as well as intermediary institutions, as explained below:

### 1. Supervision and Enforcement on the Issuance and Trading of Securities and Futures Market

Pursuant to the Securities and Exchange Act, Futures Trading Act, and related regulations, the FSC supervises the Taiwan Stock Exchange Corporation (TWSE), Taipei Exchange (TPEX), and Taiwan Futures Exchange (TAIFEX) in developing and implementing relevant regulatory guidelines. When violations occur, corresponding measures are taken, as explained below:

**a. Supervision of securities market issuance:** the TWSE and TPEX oversee the finances and business of TWSE/TPEX-listed companies and TPEX Emerging Stock companies. This includes conducting regular document reviews or on-site audits of financial reports and internal control systems, carrying out special management audits for exceptional cases, plus performing regular or irregular reviews of information reporting and material information from these companies.

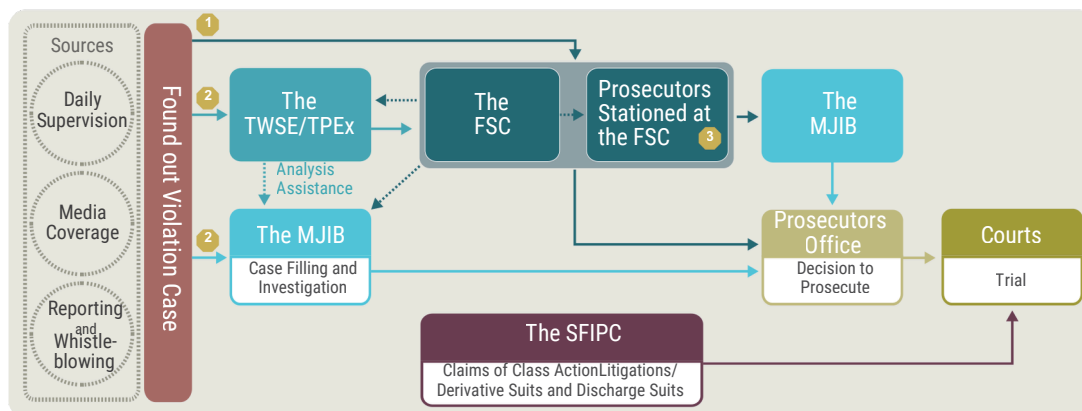
**b. Supervision of Securities and Futures Market Trading:**

- i. Securities market supervision: the TWSE and TPEX use a systematic approach to monitor all securities trading activities in accordance with their respective Rules Governing the Implementation of the Stock Market Surveillance Systems. When abnormal price or volume fluctuations are detected, the TWSE and TPEX issue trading alerts and take appropriate measures, such as extending matching time, requiring advance payment and delivery, suspending or halting margin trading plus short selling, or restricting trading for a specified period.
- ii. Futures market supervision: TAIFEX monitors market activity as required by its Market Trading Surveillance Rules. When trading reaches abnormal levels, TAIFEX may disclose relevant trading information along with taking necessary action, such as adjusting margin requirements, limiting traders' trading volume or positions, and suspending or terminating part of, or all, futures trading.

**c. Follow-up actions:** If the TWSE, TPEX, or TAIFEX identify any market participants involved in violations of the Securities and Exchange Act as well as related regulations during their supervisory procedures, such as false financial reports, insider trading, stock price manipulation, embezzlement, speculation etc., they report the relevant information to the FSC for administrative investigation and sanctions. If criminal conduct is found during the investigation, the case is referred to the Ministry of Justice Investigation Bureau or Prosecutors Office for further investigation or prosecution. Regarding civil liability, the Securities and Futures Investors Protection Center (SFIPC) files class action lawsuits, derivative suits, and removal lawsuits in accordance with the Securities Investor and Futures Trader Protection Act (SIFTPA).



## Violation Case Handling Process Flow Chart ①



1. Taiwan's enforcement structure takes the SFB as the main body and combines with peripheral organizations to conduct supervision and enforcement on the issuance plus trading aspects of the securities and futures market. If violations of the SEA and other relevant laws are discovered during the aforementioned supervision process, the TWSE and TPEX should report it to the SFB for administrative investigation and disposition. Should the investigation uncover criminal misconduct, the case must be transferred to the MJIB or the District Prosecutors Office for investigation or prosecution, and ultimately adjudicated by the courts. For civil liability, the SFIPC files class action litigations, derivative suits or discharge suits in accordance with SIFTPA, and the courts conduct trials. (The enforcement process for intermediaries follows the same.)
2. The SFB, peripheral organizations or the Investigation Bureau receive illegal cases through daily supervision, media reports, reporting and whistleblowing plus other channels. When handling relevant illegal cases, the units can contact and provide assistance to each other.
3. With the objective of improving the effectiveness of investigating major financial cases, the Ministry of Justice (the MOJ) has formulated the Guidelines for Appointing Prosecutors to Concurrently Handle Affairs at the Financial Supervisory Commission, Executive Yuan (the Guidelines) to reinforce the business liaison and coordination among the MOJ, its subordinate prosecution agencies and the FSC. Pursuant to points 2 and 3 of the Guidelines, the MOJ may appoint prosecutors to concurrently serve at the FSC, acting as liaison for prosecution agencies investigating financial and other criminal cases. Should the FSC or its affiliated agencies uncover suspected criminal activities during their operations, they may submit relevant information to these prosecutors for assessment, legal opinions, or assistance in evidence collection.

## 2. Supervision and Enforcement of Intermediary Institutions

Pursuant to the Securities and Exchange Act, Securities Investment Trust and Consulting Act, Futures Trading Act, and related regulations, the SFB supervises the TWSE, TPEX, and TAIEX, along with their affiliated associations in formulating and enforcing rules governing intermediary institutions, their responsible persons and business personnel. In the event of a violation, corresponding measures are taken, as explained below:

- a. Supervision of securities firms:** Supervision is carried out through market regulations set by the TWSE and TPEX, market agreements signed with securities firms, operating rules for brokerage and proprietary trading, as well as mandatory membership in the Taiwan Securities Association. These measures ensure compliance with relevant self-regulatory and legal requirements, while also enabling effective supervision and enforcement actions against securities firms.
- b. Supervision of futures commission merchants (FCMs):** Supervision is carried out through market agreements signed between TAIEX and FCMs, market regulations set by TAIEX, management rules for FCMs' financial operations, business activities and internal control systems, as well as mandatory membership in the Chinese National Futures Association. These measures ensure compliance with relevant self-regulatory and legal requirements, while also enabling effective supervision and enforcement actions against FCMs.

**c. Supervision of Securities Investment Trust Enterprises (SITEs) and Securities Investment Consulting Enterprises (SICEs):**

These entities are subject to supervision through mandatory membership in the Securities Investment Trust & Consulting Association of the R.O.C (SITCA) and regular inspections conducted by the association. These measures ensure compliance with SITCA's self-regulatory requirements and relevant regulations, while also reinforcing the implementation of internal control systems and personnel management.

**d. Follow-up actions:**

If intermediary institutions, their responsible persons, or business personnel are found to have violated the Securities and Exchange Act and related regulations during the supervisory procedure, the TWSE, TPEx, and TAIFEX, or their affiliated associations, will report the relevant information to the FSC for administrative investigation and sanctions. If criminal conduct is identified during the investigation, the case is referred to the Ministry of Justice Investigation Bureau or Prosecutors Office for further investigation or prosecution. For civil disputes related to the offering, issuance, or trading of securities, futures trading or other related matters, the SFIPC conducts mediation in accordance with SIFTPA. For civil disputes between consumers and financial service providers regarding financial products or services, the Financial Ombudsman Institution (FOI) provides mediation or ombudsman services pursuant to the Financial Consumer Protection Act.

### 3. Supervision and Enforcement of Virtual Asset Service Providers (VASPs)

As the competent authority designated by the Executive Yuan for virtual assets with financial investment or payment functions, the FSC supervises VASPs in accordance with the Money Laundering Control Act as well as the Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platform or Transaction (renamed on November 26, 2024, as the Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises or Persons Providing Virtual Asset Services). Since June 30, 2021, businesses are required to submit an AML compliance declaration, along with supporting documents, information, and procedures specified by the FSC prior to commencing operations. The Financial Examination Bureau then conducts on-site inspections of VASPs to assess whether their AML/CFT measures are implemented in compliance with the regulations. Subsequently, on November 30, 2024, the FSC introduced the Regulations Governing Anti-Money Laundering Registration of Enterprises or Persons Providing Virtual Asset Services, shifting from a compliance declaration to a registration system. Under new regulations, VASPs must complete AML registration with designated documents and procedures prior to commencing operations. Entities that provide virtual asset services without completing registration are subject to criminal penalties including imprisonment of up to two years, detention, a penalty of up to NT\$5 million or a combination of these.

If VASPs are found to have violated relevant regulations during the supervisory process, the FSC conducts administrative investigations and issues sanctions or penalties. If criminal conduct is identified during investigations, cases are referred to the Ministry of Justice Investigation Bureau or Prosecutors Office for further investigation or prosecution.

The FSC continues to promote the establishment of self-regulatory standards by the Taiwan Virtual Asset Service Provider Association and the legislation of dedicated laws for VASP management, with the goal of progressively strengthening domestic supervision of VASPs.

## C. Supervisory Focus of the Securities and Futures Markets in Taiwan in 2024

### 1. Enhance corporate governance and sustainability information disclosures, and supervise the TWSE in establishing carbon credit trading mechanisms to support enterprises in their net-zero transition:

#### a. Amended and issued the Regulations Governing Information to be Published in Annual Reports of Public Companies to align with sustainability information disclosure requirements under the International Financial Reporting Standards (IFRS)

In accordance with the FSC's Roadmap for Taiwan Listed Companies to Align with IFRS Sustainability Disclosure Standards issued on August 17, 2023, and the Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies on March 28 of the same year, the FSC strengthened the management of sustainability information by public companies, securities, and futures enterprises. To enhance the reliability of sustainability information, the FSC amended and issued the Regulations Governing the Establishment of Internal Control Systems by Public Companies and Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets in April 2024. These amendments require these entities to integrate sustainability information management into their internal control systems and include it as a mandatory annual audit item, effective from 2025. Additionally, on August 1, 2024, the FSC amended the Regulations Governing Information to be Published in Annual Reports of Public Companies to streamline report content and allow indexed disclosure. Listed companies with less than one-third representation of one gender on their boards are required to explain reasons and planned improvements in their annual reports. These measures support companies' compliance with the International Financial Reporting Standards (IFRS) and promote greater board gender diversity in listed companies.

#### b. Supervise the TWSE in establishing a digital ESG platform that provides functions to support listed companies in preparing their sustainability reports:

On March 28, 2023, the FSC issued the Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies (2023). Under the initiatives of Refining Sustainable Information Disclosure and Promoting Digitalization, all listed companies are required to prepare and submit sustainability reports from 2025. Under TWSE and TPEX regulations, listed companies must prepare and file their sustainability reports for the previous year by the end of August each year. Before doing so, companies must understand the relevant reporting requirements and conduct stakeholder identification, materiality analysis, and sustainability data collection.

To support listed companies with paid-in capital under NT\$2 billion in preparing their first sustainability reports in 2025, the FSC has overseen the launch of an Assisted Sustainability Report Production Feature on the ESG digital platform developed by the TWSE and TPEX. This initiative aims to ease the burden of reporting and improve ESG disclosure quality across the capital market. This feature is built on the Global Reporting Initiative (GRI) Standards and incorporates practical disclosure practices. In addition to automatically importing companies' previously reported ESG indicator data, it provides various resources including (1) GRI Standards and Examples, (2) Guidelines and Disclosure Examples for Material Topics in Sustainability Reports, and (3) Sustainability Report Templates and Reference Examples. These resources help listed companies disclose ESG information more effectively, improve compliance efficiency, and enhance international investment appeal.

**c. Amend and publish the Regulations Governing the Preparation of Financial Reports by Securities and Futures Enterprises to assist industry participants in disclosing sustainability information in accordance with IFRS standards:**

To conform with the FSC's Roadmap for Taiwan Listed Companies to Align with IFRS Sustainability Disclosure Standards issued on August 17, 2023, the FSC plans to streamline the disclosure requirements in Articles 28-31 of the Regulations Governing the Preparation of Financial Reports by Securities Firms and Articles 30-33 of the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants. This aims to support industry participants' in integrating IFRS sustainability disclosures in financial reports. After refining the wording of existing regulations and referring to relevant regulations including the amended Regulations Governing Information to be Published in Annual Reports of Public Companies issued on August 1, 2024, the FSC revised the Regulations Governing the Preparation of Financial Reports by Securities Firms and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants. The revisions were announced by the FSC on February 7, 2025.

**d. Supervise the TWSE in establishing a carbon credit trading mechanism to improve Taiwan's net-zero transition infrastructure**

The Taiwan Carbon Solution Exchange (TCX) launched the International Carbon Credit Trading Platform on December 22, 2023, enabling Taiwanese enterprises to trade foreign emission reduction credits. In line with the Ministry of Environment's Regulations Governing Trading, Auctions, and Transfer of Greenhouse Gas Reduction Credits, which came into effect on August 15, 2024, the FSC oversaw the launch of the Domestic Carbon Credit Trading Platform on October 21, 2024. In line with the Ministry of Environment's overall policy plans, the FSC continues to supervise the TCX in managing domestic and international carbon credit trading.

## **2. Continue to strengthen CPA supervision and audit quality to align with international standards:**

To foster a forward-looking, internationally competitive capital market, the FSC amended and issued the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants on February 2, 2024. The amendments follow the international standard numbering system. Additionally, under auditing standards, CPAs may adjust audit procedures based on considerations of materiality and audit risks when planning and performing financial statement audits, thereby minimizing potential risks while enhancing audit quality.

The FSC amended and issued the Regulations Governing Continuing Professional Education for CPAs on December 9, 2024, to enhance CPAs' working knowledge and alignment with international standards. Under the revised regulations, CPAs in Taiwan are required to complete at least three hours of professional ethics training every two years. Furthermore, the amendments broaden the scope of training content and designate training institutions to diversify available channels for anti-money laundering education.

### 3. Supervisory focus on intermediary institutions:

**a. Common supervisory enhancements:** including strengthening legal compliance, implementing AML/CFT/CPF measures, and improving corporate governance.

**b. Tailored supervisory enhancements:**

- i. For securities firms: Focus areas include: (1) compliance with regulations on operations being outsourced by securities firms; (2) implementation of conflict of interest audits for internal personnel; (3) provision of wealth management services for high-net-worth clients; (4) market making and hedging activities for exchange-traded notes (ETNs); (5) handling of derivative financial products, brokerage of foreign securities; and (6) the implementation of digital financial services.
- ii. For SITEs: In response to the continuous growth of ETF scale, supervisory focus includes strengthening ETF information disclosure, advertising, marketing, and market risk control. Other focus areas include: (1) information disclosure of both domestic and offshore funds; (2) implementation of KYC and KYP; (3) prevention of conflicts of interest and investment process control for investment funds and discretionary investment services (including government fund mandates); (4) information disclosure of Environmental, Social and Governance (ESG) themed funds; (5) implementation of information security management; and (6) implementation of corporate governance and business continuity management mechanisms.





# Overview of Law Enforcement Results of the Securities and Futures Markets in Taiwan

## Chapter I

- A. Administrative Sanctions Imposed by the Securities and Futures Bureau from 2020 to 2024
- B. Investigations of Criminal Liability by the Ministry of Justice Investigation Bureau from 2020 to 2024
- C. Investigations of Civil Liability by the Securities and Futures Investors Protection Center from 2020 to 2024
- D. Cross-border and Inter-ministerial Collaboration on Financial Supervision from 2020 to 2024



Table 1-1 summarizes enforcement statistics in Taiwan over the past five years (2020-2024), including administrative sanctions imposed by the SFB, corporate violations of the Securities and Exchange Act (SEA) referred for criminal investigation by the Ministry of Justice Investigation Bureau, and civil liability prosecution cases by the SFIPC.

As shown in Table 1-1, over the past five years, the number of administrative sanctions and total fines imposed by the SFB initially declined before beginning to rise in 2021. For criminal cases handled by the Ministry of Justice Investigation Bureau, the number of cases also showed a downward trend that reversed in later years, while the proceeds of crime steadily decreased from 2020 to 2023 before increasing in 2024. As for the SFIPC's civil liability prosecution cases, the number of class action lawsuits has gradually declined, while removal lawsuits and the amounts claimed in derivative suits have increased.

• Table 1-1

| Enforcement Agencies and Actions                                |   | Year | 2020  | 2021   | 2022   | 2023   | 2024   |
|---|---|------|---|--|--|--|--|
| Securities and Futures Bureau, Financial Supervisory Commission | Administrative Sanctions [Public Companies; Intermediaries (including Personnel) and VASPs] |      | 351 cases<br>[234 cases;<br>117 cases]                          | 367 cases<br>[219 cases;<br>148 cases]                         | 287 cases<br>[199 cases;<br>88 cases]                          | 311 cases<br>[176 cases;<br>135 cases]                         | 375 cases<br>[192 cases;<br>183 cases]                         |
|   | Penalty Amount [Public Companies; Intermediaries (including Personnel) and VASPs]           |      | NT\$103.60 million<br>[NT\$51.98 million;<br>NT\$51.62 million] | NT\$86.93 million<br>[NT\$49.15 million;<br>NT\$37.78 million] | NT\$67.80 million<br>[NT\$43.70 million;<br>NT\$24.10 million] | NT\$70.70 million<br>[NT\$43.14 million;<br>NT\$27.56 million] | NT\$80.22 million<br>[NT\$44.60 million;<br>NT\$35.62 million] |
| Ministry of Justice Investigation Bureau                        | Referred cases violating the Securities and Exchange Act                                    |      | 57 cases  | 49 cases   | 63 cases   | 57 cases   | 62 cases   |
|   | Proceeds of crime   |      | NT\$16.563 billion  | NT\$11.654 billion   | NT\$5.233 billion  | NT\$4.332 billion  | NT\$5.588 billion  |
| SFIPC   | Number of class action lawsuits filed and amounts claimed in litigation                     |      | 10 cases<br>NT\$726.25 million                                  | 11 cases<br>NT\$7.246 billion                                  | 7 cases<br>NT\$7.335 billion                                   | 6 cases<br>NT\$265.14 million                                  | 7 cases<br>NT\$123.52 million                                  |
|   | Number of derivative suits filed and amounts claimed in litigation                          |      | 6 cases<br>NT\$1.31 billion                                     | 8 cases<br>NT\$1.737 billion                                   | 9 cases<br>NT\$1.435 billion                                   | 4 cases<br>NT\$2.201 billion                                   | 7 cases<br>NT\$2.382 billion                                   |
|   | Number of removal lawsuits filed  |      | 7 cases   | 6 cases  | 14 cases   | 12 cases   | 16 cases   |

\*Data source: The administrative sanctions data is sourced from the SFB website's SFB Enforcement Action List (including administrative sanction statistics and detailed information, <https://www.sfb.gov.tw/en/home.jsp?id=112&parentpath=0,4> see Appendix III Tables 1 and 2). Statistics related to the Ministry of Justice Investigation Bureau and the SFIPC are provided by the respective organizations.

\*\*For enforcement data related to the supervision of public companies and intermediaries (and their personnel) by the TWSE, TPEx and TAIEX in accordance with relevant regulations, and the corresponding disciplinary actions taken for violations, please refer to Appendix II.

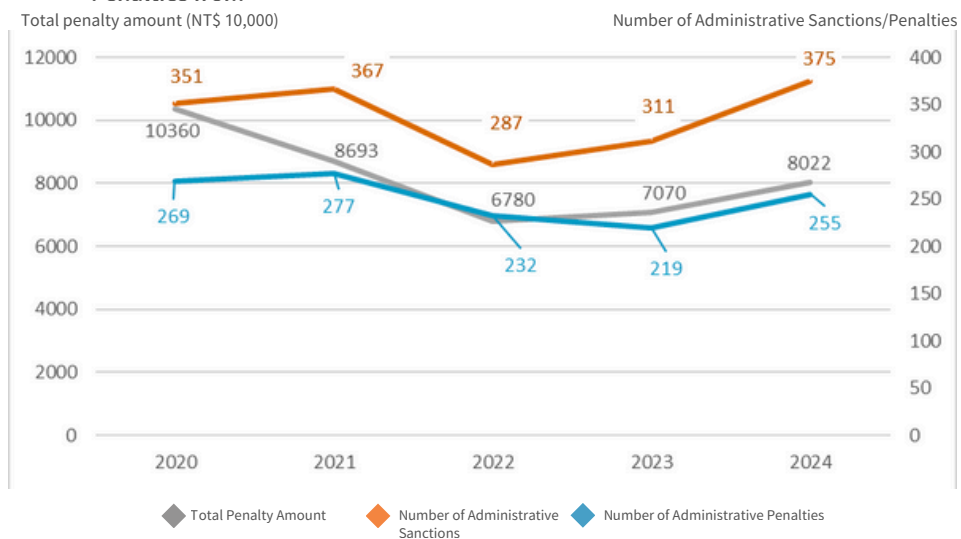
\*\*\*The amounts claimed in SFIPC class action lawsuits each year may vary due to changes in the number of authorizers or damage calculation methods. The amounts claimed in derivative suits each year may be adjusted based on litigation circumstances. The data is compiled as of February 28, 2025.

## A. Administrative Sanctions Imposed by the Securities and Futures Bureau from 2020 to 2024

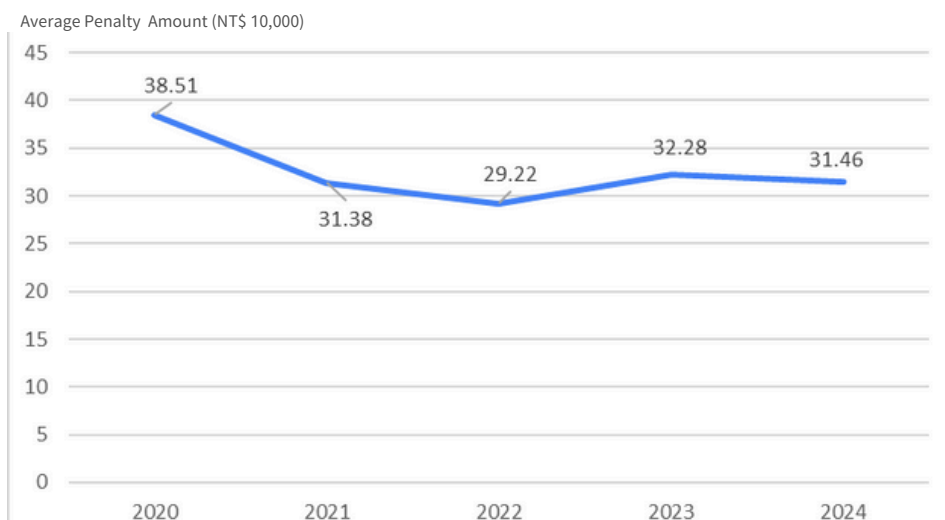
Over the past five years (2020-2024), both the number of administrative sanction and administrative penalties cases showed a slight increase in 2021 compared to 2020, followed by a downward-then-upward trend. Specifically, the number of administrative sanction cases was lowest in 2022 and highest in 2024, while the total fines imposed were lowest in 2023 and highest in 2021. Additionally, both the total amount of administrative penalties and the average penalty amount (see Figure 1-1, Figure 1-2, and Appendix III Table 1) initially decreased before rising again, with their highest recorded in 2020 and the lowest in 2022.

The trends can be attributed to several factors. To strengthen regulatory compliance, the FSC increased the maximum penalty limits and enhanced securities firms' internal controls by amending Article 178 and adding Article 178-1 of the Securities and Exchange Act on April 17, 2019. These amendments raised the maximum administrative fine for violations of relevant regulations from NT\$2.40 million to NT\$4.80 million and introduced new penalty provisions for securities firms that fail to implement internal control systems. Additionally, a large penalty of NT\$25 million was imposed in 2020 for a violation of the Act Governing Relations Between the People of the Taiwan Area and the Mainland Area (one case). In 2024, the number of penalty cases increased for securities investment trust and consulting enterprises as well as VASPs, due to violation of relevant regulations.

• **Figure 1-1** Number of Administrative Sanctions, Amount of Penalties and Total Amount of Penalties from



• **Figure 1-2** Average Penalties from 2020 to 2024 (Unit: NT\$10,000)



Based on the analysis of the SFB's administrative sanctions cases in 2024 by penalty type and subject, the following observations can be made (see Table 1-2, Figure 1-3 and 1-4):

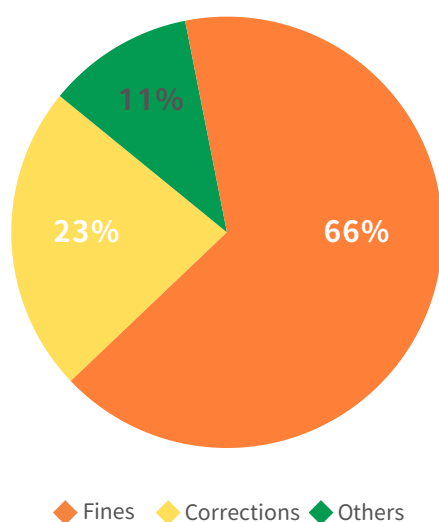
1. There were a total of 255 administrative penalty cases, representing an increase of approximately 16% compared to 2023 (219 cases). This rise was primarily driven by more penalty cases involving insiders, accountants, and intermediaries for violation of relevant regulations, as well as new cases against non-compliant VASP operators (nine cases in total). Additionally, the total amount of fines reached NT\$80.22 million, an increase of about 13% compared to 2023 (NT\$70.70 million), mainly due to higher penalties imposed in 2024 on securities firms, securities investment trust and consulting enterprises, plus VASP operators for violations of internal control regulations, as well as increased penalties on accountants.
2. There were 87 correction orders issued to intermediaries, accounting for approximately 23% of all cases. Compared to 2023, where there were 54 such cases (around 17%), both the number and proportion of correction orders increased.
3. In addition to administrative penalties and corrections, other types of penalties included three warnings issued to intermediaries, 29 business suspension orders plus two cases of dismissal orders for responsible persons and practitioners of intermediaries in addition to four cases requiring VASP operators to make improvements or corrections within a specified period. Additionally, three business suspension orders were issued to accountants.
4. The following analysis examined the subjects penalized in administrative penalty cases:
  - a. Approximately 50% of cases involved insiders of public companies (including directors, supervisors, managers, and shareholders holding 10% or more shares) who failed to report their holdings or transfers of securities in accordance with Articles 22-2 and 25 of the Securities and Exchange Act.
  - b. Secondly, about 24% of cases (61 cases in total) involved intermediaries, reflecting an increase in both number and proportion compared to 2023 (44 cases; 20%). The FSC amended Article 178 and added Article 178-1 of the Securities and Exchange Act on April 17, 2019, with the aim of enhancing legal compliance by raising the maximum penalty limits and strengthening internal controls of securities firms. Statistics show that from 2020 to 2024 the number of penalty cases imposed on securities firms under Article 178-1 of the Securities and Exchange Act were 5, 28, 26, 31, and 33 cases, respectively, representing a steady upward trend. Additionally, in 2024, among the higher fines imposed on intermediaries, Cathay Securities Investment Trust and Time Securities Investment Consulting were each fined NT\$1.2 million for regulatory violations (for details regarding the Cathay Securities Investment Trust case, please refer to Case 2 in Chapter 2).
  - c. Furthermore, approximately 18% (46 cases) of cases involved public companies, showing a slight decrease in both number and proportion compared to 2023 (48 cases; 22%). Most of these cases related to failures of public companies to make the required announcements and filings of (restated) financial reports in accordance with regulations.
  - d. In 2024, the FSC imposed fines in ten cases involving CPAs, primarily for violations of the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant and Standards on Auditing concerning the audit and attestation of financial reports of public companies. In addition, five fines were imposed on VASP operators for violations of relevant regulations in 2024, with total fines amounting to NT\$6.04 million.

• Table 1-2

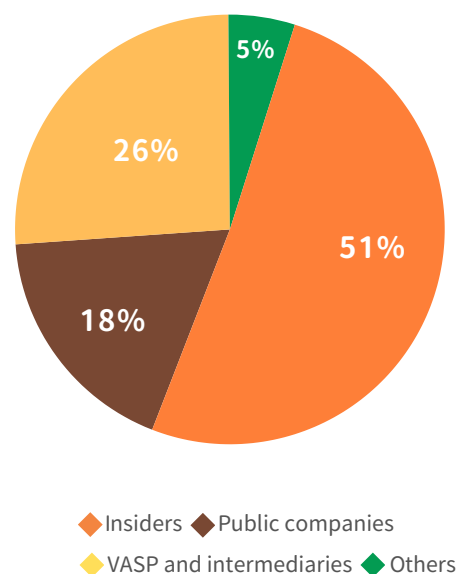
| Type of Sanctions<br>Subject to Penalty                 | Penalty | Correction | Suspension of Business | Dismissal | Corrective Action within Deadline (Official Order) | Warning | Total |
|---|---------|------------|------------------------|-----------|--|---------|-------|
| Insiders  | 130     | -          | -                      | -         | -  | -       | 130   |
| Public Companies  | 46      | -          | -                      | -         | -  | -       | 46    |
| CPAs  | 10      | -          | 3                      | -         | -  | -       | 13    |
| VASPs   | 5       | -          | -                      | -         | 4  | -       | 9     |
| Intermediaries  | 61      | 87         | -                      | -         | -  | 3       | 151   |
| Responsible Persons and Practitioners of Intermediaries | 1       | -          | 29                     | 2         | -  | -       | 32    |
| Others  | 2       | -          | -                      | -         | -  | -       | 2     |
| Total   | 255     | 87         | 32                     | 2         | 4  | 3       | 383   |

\* Table 1-2 is compiled from the SFB Enforcement Action List on the SFB website (including administrative sanctions statistics and detailed information, <https://www.sfb.gov.tw/en/home.jsp?id=112&parentpath=0,4> see Table 2 in Appendix III)

• Figure 1-3 Types and Proportions of Administrative Sanctions Cases in 2024



• Figure 1-4 Subjects and Proportions of Administrative Fines in 2024

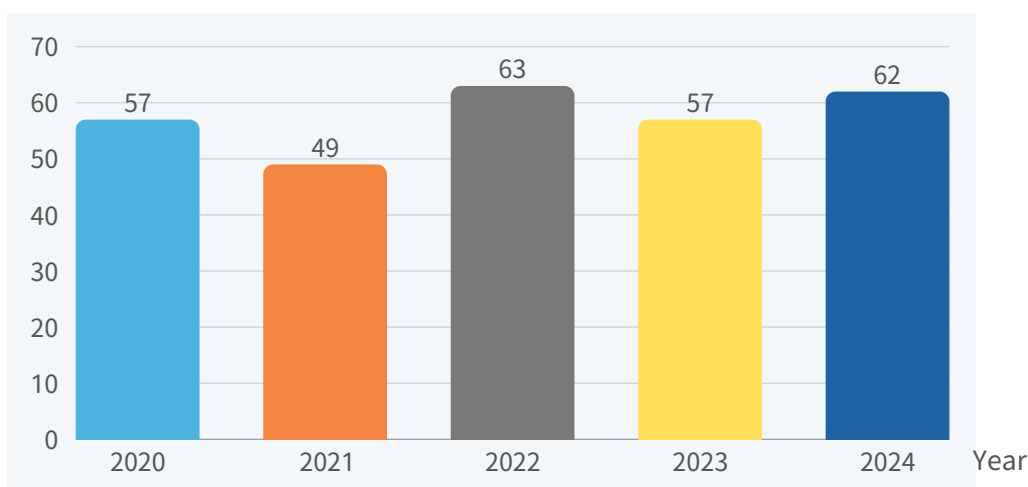




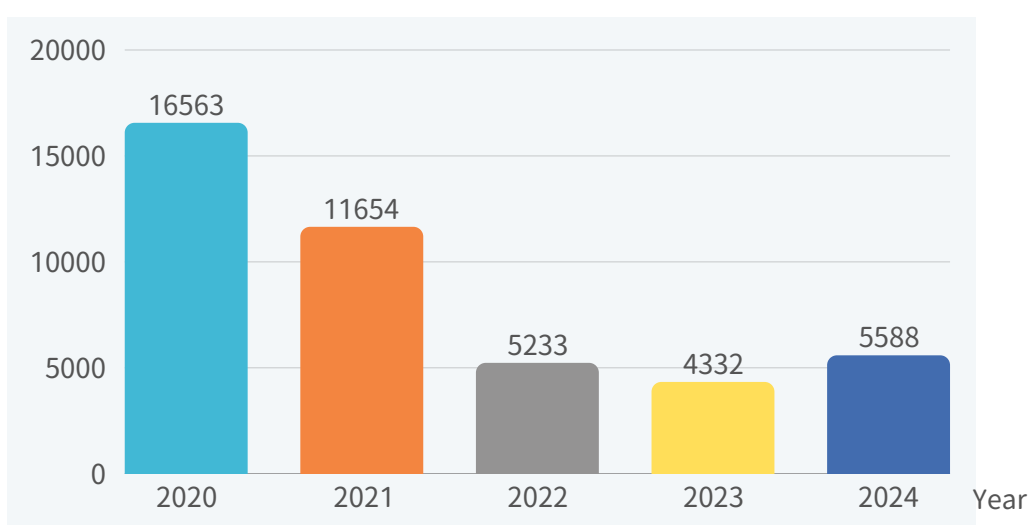
## B. Investigations of Criminal Liability by the Ministry of Justice Investigation Bureau from 2020 to 2024

For criminal cases involving violations of the Securities and Exchange Act referred by the Ministry of Justice Investigation Bureau over the past five years (2020-2024), the year 2022 had the highest number of cases while 2021 had the lowest. Both 2021 and 2023 saw a decline in cases numbers compared to the previous years. Additionally, the proceeds of crime were highest in 2020, followed by a year-on-year decrease, reaching its lowest point in 2023, before slightly increasing again in 2024.

• Figure 1-5 Number of Criminal Cases



• Figure 1-6 Proceeds of Crime (Unit: NT\$ Million)



In 2024, among criminal cases referred by the Ministry of Justice Investigation Bureau, insider trading had the highest number of cases (23), while special breach of trust and embezzlement involved the largest amount of proceeds of crime, totaling NT\$1,907.68 million.

The number of criminal cases in 2024 increased compared to 2023, primarily due to cases involving abnormal trading and manipulation of stock prices, insider trading, as well as special breach of trust and embezzlement. Among these, special breach of trust and embezzlement saw the largest increase, with eight more cases than the previous year. In addition, the proceeds of crime also rose in 2024, driven by cases involving abnormal trading and manipulation of stock prices, insider trading, special breach of trust and embezzlement, plus false financial reports (see Table 1-3 and Table 1-4 for details).

Furthermore, in 2024, the number of special breach of trust and embezzlement cases accounted for the largest year-on-year increase, rising by eight cases compared to 2023. This was primarily due to a greater number of such cases completing evidence collection and reaching a stage where formal investigation could begin. Additionally, both the number of suspects and the proceeds involved in these cases significantly increased by 87 persons and NT\$715.36 million, respectively, compared to 2023. This sharp rise was driven by the case involving Taichung Bank (2812) Chairman Wang ○○, who was allegedly in violation of the Securities and Exchange Act. This case involved over 20 suspects with proceeds of crime exceeding NT\$840 million.



• Table 1-3

| Type of Crime  | Number of Cases |      |      |      |      | Number of Suspects |      |      |      |      |
|--|-----------------|------|------|------|------|--------------------|------|------|------|------|
|  | 2020            | 2021 | 2022 | 2023 | 2024 | 2020               | 2021 | 2022 | 2023 | 2024 |
| Fund Raising or Stock Issuing Fraud                  | 8               | 7    | 10   | 8    | 3    | 49                 | 35   | 59   | 47   | 33   |
| Default in Settlement                                | 0               | 0    | 0    | 0    | 0    | 0                  | 0    | 0    | 0    | 0    |
| Abnormal Trading and Manipulation of Stock Prices    | 9               | 5    | 11   | 12   | 13   | 48                 | 15   | 39   | 36   | 37   |
| Insider Trading                                      | 13              | 22   | 24   | 20   | 23   | 55                 | 81   | 112  | 79   | 100  |
| Irregular Transactions                               | 9               | 4    | 6    | 2    | 1    | 61                 | 23   | 25   | 16   | 4    |
| Special Breach of Trust and Embezzlement             | 12              | 7    | 9    | 10   | 18   | 64                 | 14   | 54   | 46   | 133  |
| False Financial Reports                              | 6               | 3    | 3    | 4    | 4    | 19                 | 11   | 21   | 44   | 24   |
| False Lawyer or CPA Certification                    | 0               | 1    | 0    | 0    | 0    | 0                  | 3    | 0    | 0    | 0    |
| Stock Price Manipulation with Unreliable Information | 0               | 0    | 0    | 1    | 0    | 0                  | 0    | 0    | 1    | 0    |
| Stock Price Manipulation in Other Manners            | 0               | 0    | 0    | 0    | 0    | 0                  | 0    | 0    | 0    | 0    |
| Illegal Private Placement                            | 0               | 0    | 0    | 0    | 0    | 0                  | 0    | 0    | 0    | 0    |
| Illegal Merger and Acquisition                       | 0               | 0    | 0    | 0    | 0    | 0                  | 0    | 0    | 0    | 0    |
| Subtotal   | 57              | 49   | 63   | 57   | 62   | 296                | 182  | 310  | 269  | 331  |

• Table 1-4

| Type of Crime  | Proceeds of Crime (NT\$10,000) |           |         |         |         |
|--|--------------------------------|-----------|---------|---------|---------|
|  | 2020                           | 2021      | 2022    | 2023    | 2024    |
| Fund Raising or Stock Issuing Fraud                  | 205,919                        | 175,089   | 256,031 | 118,104 | 70,681  |
| Default in Settlement                                | 0                              | 0         | 0       | 0       | 0       |
| Abnormal Trading and Manipulation of Stock Prices    | 241,715                        | 71,422    | 16,082  | 19,824  | 65,333  |
| Insider Trading                                      | 20,299                         | 11,052    | 24,684  | 10,216  | 64,128  |
| Irregular Transactions                               | 141,676                        | 52,799    | 102,696 | 39,238  | 2,223   |
| Special Breach of Trust and Embezzlement             | 620,296                        | 208,658   | 85,840  | 119,232 | 190,768 |
| False Financial Reports                              | 426,398                        | 326,350   | 37,921  | 126,582 | 165,640 |
| False Lawyer or CPA Certification                    | 0                              | 320,000   | 0       | 0       | 0       |
| Stock Price Manipulation with Unreliable Information | 0                              | 0         | 0       | 0       | 0       |
| Stock Price Manipulation in Other Manners            | 0                              | 0         | 0       | 0       | 0       |
| Illegal Private Placement                            | 0                              | 0         | 0       | 0       | 0       |
| Illegal Merger and Acquisition                       | 0                              | 0         | 0       | 0       | 0       |
| Subtotal   | 1,656,303                      | 1,165,370 | 523,254 | 433,196 | 558,773 |

## C. Investigations of Civil Liability by the Securities and Futures Investors Protection Center from 2020 to 2024

### 1. For Class Action Lawsuits: (See Table 1-5)

**a. Case Type Description:** Between 2020 and 2024, the number of class action lawsuits handled by the SFIPC was 10, 11, 7, 6, and 7 cases per year, respectively. Among these, cases involving false financial reports, business information, or prospectus were predominant in 2020, 2021, and 2022, while insider trading cases accounted for the majority of cases in 2023 and 2024.

#### b. Trend Analysis:

- i. **Number of Cases:** The number of class action lawsuits remained similar between 2020 and 2021, followed by a decrease between 2022 and 2024. This decrease was likely due to the securities involved during those years being less actively traded in the market, making it harder to meet the requirement of 20 authorizers as stipulated in Article 28 of SIFTPA. However, the overall difference is not significant.
- ii. **Number of Authorizers:** The higher number of authorizers in 2021 was mainly due to several high-profile cases with large numbers of authorizations, such as the PIHC case and the CSOL case.
- iii. **Claim Amounts:** Claim amounts were higher in 2021 and 2022 primarily because certain cases filed during those years involved a large number of authorizers, high stock price, or significant participation by authorizers in cash capital increase subscriptions, resulting in higher compensation amounts. Examples include the PIHC case and the RHC case.



• Table 1-5

| Type of Class Action Lawsuit  | 2020                  |                    |                       | 2021                  |                    |                       | 2022                  |                    |                       | 2023                  |                    |                       | 2024                  |                    |                       |
|---|-----------------------|--------------------|-----------------------|-----------------------|--------------------|-----------------------|-----------------------|--------------------|-----------------------|-----------------------|--------------------|-----------------------|-----------------------|--------------------|-----------------------|
|   | Number of Cases Filed | Claim (NT\$10,000) | Number of Authorizers | Number of Cases Filed | Claim (NT\$10,000) | Number of Authorizers | Number of Cases Filed | Claim (NT\$10,000) | Number of Authorizers | Number of Cases Filed | Claim (NT\$10,000) | Number of Authorizers | Number of Cases Filed | Claim (NT\$10,000) | Number of Authorizers |
| False Financial Reports, Financial/Business Information or Prospectus | 5                     | 65,309             | 3,478                 | 5                     | 710,529            | 7,795                 | 5                     | 666,712            | 1,122                 | 1                     | 19,374             | 275                   | 1                     | 1,032              | 109                   |
| Stock Price Manipulation  | 2                     | 1,791              | 140                   | 3                     | 9,163              | 93                    | 1                     | 66,663             | 124                   | 1                     | 103                | 27                    | 1                     | 9,120              | 75                    |
| Insider Trading   | 2                     | 1,198              | 60                    | 2                     | 2,809              | 49                    | 1                     | 170                | 28                    | 4                     | 7,037              | 438                   | 4                     | 1,862              | 142                   |
| Multiple Types Involved (Note 1)                                      | 1                     | 4,327              | 109                   | 1                     | 2,131              | 77                    | 0                     | 0                  | 0                     | 0                     | 0                  | 0                     | 1                     | 338                | 71                    |
| Total   | 10                    | 72,625             | 3,787                 | 11                    | 724,632            | 8,014                 | 7                     | 733,545            | 1,274                 | 6                     | 26,514             | 740                   | 7                     | 12,352             | 397                   |

Note 1: Involves two or more types of market violations, including false financial reports, financial/business information or prospectus, stock price manipulation, insider trading, among others.

Note 2: The amounts claimed and the number of authorizers for each year may be adjusted based on changes in case authorizations or damage calculation methods. The data is compiled as of February 28, 2025.

## 2. For Representative and Removal Lawsuits: (See Table 1-6)

**a. Case Type Description:** The number of derivative suits handled by the SFIPC between 2020 and 2024 were 6, 8, 9, 4, and 7 cases per year, respectively. During the same period, the number of removal lawsuits were 7, 6, 14, 12, and 16 cases per year, respectively.

**b. Trend Analysis:** When the SFIPC files derivative or removal lawsuits under Article 10-1 of SIFTPA, the target company must be listed on the TWSE, TPEX, or ESM, and the liable party must be a current or former director or supervisor of the company. The SFIPC then evaluates whether to proceed with derivative or removal lawsuits based on the specific circumstances of each case. From 2020 to 2022 and 2024 the number of derivative suits filed (including litigation participation) remained relatively stable. However, in 2023, fewer cases met the legal requirements after evaluating actual illegal circumstances, resulting in a decrease in derivative suits. The number of removal lawsuits was relatively consistent in 2020 and 2021, following the amendment to SIFTPA stipulating that directors and supervisors removed by final judgment would be disqualified for three years. The SFIPC filed lawsuits against unqualified directors and supervisors engaged in illegal activities, regardless of whether they remained in office or transferred to other companies. This was done to uphold legislative intent and prevent unqualified directors and supervisors from undermining corporate governance in the capital market and harming company operations, leading to an increase in the number of lawsuits.

• Table 1-6

| Type of Lawsuit | 2020                  |                    | 2021                  |                    | 2022                  |                    | 2023                  |                    | 2024                  |                    |
|-----------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|
|                 | Number of Cases Filed | Claim (NT\$10,000) | Number of Cases Filed | Claim (NT\$10,000) | Number of Cases Filed | Claim (NT\$10,000) | Number of Cases Filed | Claim (NT\$10,000) | Number of Cases Filed | Claim (NT\$10,000) |
| Derivative suit | 6                     | 130,990            | 8                     | 173,685            | 9                     | 143,460            | 4                     | 220,131            | 7                     | 238,237            |
| Removal lawsuit | 7                     | -                  | 6                     | -                  | 14                    | -                  | 12                    | -                  | 16                    | -                  |

Note: The claim for derivative suits in each year may be adjusted based on case litigation status.  
The data is compiled as of February 28, 2025.

### 3. Implementation Results:

- a. Helping investors pursue compensation through class action lawsuits:** In 2024, the SFIPC assisted investors in asserting their rights through class action lawsuits related to securities and futures incidents, helping them secure substantial compensation through settlements, enforcement proceedings, post-judgment payments, and the recovery of illicit gains. In 2024, investors received approximately NT\$47 million in compensation, bringing the cumulative total over the years to more than NT\$7.6 billion. The SFIPC accelerated the distribution of over NT\$980 million in compensation from a class action lawsuit to investors, helping not only recover their losses but also build confidence in the market.
- b. Petitioning courts to remove unqualified directors and supervisors of listed companies to strengthen corporate governance:**
- i. Article 10-1 of SIFTPA was amended in 2020 to prohibit unqualified individuals from serving as directors and supervisors of TWSE/TPEX and ESM-listed companies, aiming to enhance the legal framework for removal lawsuits and strengthen management integrity. The amendments expanded the scope and impact of removal lawsuits by implementing a disqualification system for directors and supervisors involved in such cases, and by adding independent grounds for removal based on actions that disrupt market trading order, such as insider trading and stock price manipulation.
  - ii. In 2024, the removal lawsuits filed by the SFIPC concerning management control disputes in companies such as Solar Applied Materials Technology Corp. and Roo Hsing Co., Ltd. were all approved by the Supreme Court, resulting in the removal of the directors. Additionally, regarding the removal lawsuit filed against a director of Lien Hwa Industrial Holdings Corp. for illegal insider trading of KINGPAK TECHNOLOGY INC. shares, the Intellectual Property and Commercial Court (Commercial Court) also issued a final judgment removing the defendant from their position as a director. This marks the first court ruling confirming that directors and supervisors involved in illegal conduct that constitutes independent grounds for removal are not limited to violations of fiduciary duty and duty of care to their own company but may be removed for actions involving other companies. The removed directors are prohibited from serving as directors or supervisors of any other TWSE/TPEX- or ESM-listed companies, as well as not being permitted to serve as natural persons designated to exercise duties pursuant to Article 27, Paragraph 1 of the Company Act, for a period of three years.
  - iii. These judgments serve as a deterrent to those who illegally contest management control and disrupt market order, compelling directors and supervisors to fulfill their fiduciary duties and exercise the due care of a prudent administrator. They also effectively promote corporate governance and reinforce the importance of complying with market laws and regulations.

## D. Cross-Border and Inter-Ministerial Collaboration on Financial Supervision from 2020-2024

### 1. Inter-Ministerial Collaboration in Financial Supervision

#### a. Inter-Ministerial Cooperation on Issuance Matters

For TWSE/TPEX-listed companies and TPEX Emerging Stock companies that violate the Securities and Exchange Act or related regulations, the TWSE and TPEX will refer such cases to the SFB for appropriate sanctions. In cases involving securities violations, the matter is discussed with prosecutors stationed at the FSC and then transferred to the Ministry of Justice Investigation Bureau or Prosecutors Office for further investigation or prosecution.

From 2020 to 2024, responsible persons were found to have violated the following provisions of the Securities and Exchange Act: (1) Article 171, Paragraph 1, Subparagraph 1 (false or concealed financial reports); (2) Subparagraph 2 (unconventional transactions or non-arm's length transactions); (3) Subparagraph 3 (special breach of trust); (4) Article 174, Paragraph 1, Subparagraphs 4 and 5 (false entries in books, statements, documents, other reference or report materials, or other business-related records); (5) Subparagraph 6 (false entries in financial reports by managers or accounting officers); (6) Subparagraph 8 (directors and managers lending company funds to others or using company assets as collateral in violation of laws, articles of incorporation, or board authorization), and Paragraph 2; and (7) Subparagraph 2 (CPAs issuing false reports or opinions). The number of such cases was as follows: 4 in 2020, 4 in 2021, 9 in 2022, 4 in 2023, and 3 in 2024. (Among the cases referred by the FSC in 2024, none involved related party transactions). The TWSE and TPEX cooperate with judicial authorities to investigate financial and business cases of listed companies, supporting law enforcement and prosecutorial efforts. From 2020 to 2024, the TWSE assisted judicial authorities by providing information 17 times in 2020, 40 in 2021, 19 in 2022, 28 in 2023, and 31 in 2024. During the same period, TPEX provided information 41 times in 2020, 52 in 2021, 24 in 2022, 34 in 2023, and 29 in 2024.

To strengthen the communication mechanism among supervisory units, enable early detection of abnormal corporate activities, and ensure the timely implementation of supervisory measures, the FSC, TWSE, and TPEX (through inter-ministerial cooperation) hold Corporate Supervision Meetings. When necessary, the Banking Bureau, Insurance Bureau, Financial Examination Bureau, the SFIPC and TDCC are also invited to participate. These meetings were held three times in 2020, twice in 2021, once in 2023, and once in 2024 (No meetings were held in 2022).

## b. Inter-Ministerial Cooperation on Trading Matters

From 2020 to 2024, cases involving violations of Article 155 (stock price manipulation) and Article 157-1 (insider trading) of the Securities and Exchange Act were discussed with prosecutors stationed at the FSC. The number of such cases was 7 in 2020, 4 in 2021, 6 in 2022, 4 in 2023, and 3 in 2024. From 2020 to 2024, the TWSE and TPEx cooperated with judicial authorities in investigating illegal activities in securities trading markets, including stock price manipulation and insider trading. During this period, the TWSE assisted judicial authorities by providing information 54 times in 2020, 47 in 2021, 50 in 2022, 23 in 2023, and 166 in 2024. TPEx provided information 100 times in 2020, 116 in 2021, 84 in 2022, 74 in 2023, and 111 in 2024.

The illegal trading cases investigated by the TWSE and TPEx in cooperation with judicial authorities successively led to indictments by various district prosecutors' offices or court judgments. For example, in the insider trading case involving ASE's public tender offer for SPIL between 2015 and 2016, four defendants, including a Mr. Wu, were initially found not guilty in the first and second trials. However, after the Supreme Court remanded the case for retrial, the High Court issued its first retrial judgment on December 31, 2024, sentencing Mr. Wu to one year and ten months in prison, while the other three defendants received prison terms ranging from two to three and a half years. In a 2012 insider trading case involving Speed Tech Corp., two defendants, including a Mr. Yeh, were sentenced by the Taiwan Taipei District Court in December 2024 for violating the Securities and Exchange Act. One received a two-year prison term with three years' probation, while the other was sentenced to one year and eight months, also with three years' probation.

## c. Inter-Ministerial Cooperation between the Financial Supervisory Commission and the Ministry of Justice

The FSC and the Ministry of Justice regularly hold working liaison meetings to strengthen coordination, enhance communication, and exchange views on illegal financial cases. These meetings support joint efforts to combat crime and maintain order in financial markets. In 2024, two such meetings were held. Additionally, at the Economic Crime Prevention Implementation Meeting held by the Ministry of Justice Investigation Bureau on November 15, 2024, various agencies were invited to participate. These included multiple bureaus of the FSC, the Fair Trade Commission, the Bureau of Consular Affairs of the Ministry of Foreign Affairs, the Administration of Commerce of the Ministry of Economic Affairs, the Intellectual Property Office of the Ministry of Economic Affairs, the Department of Prosecutorial Affairs of the Ministry of Justice, the Taiwan High Prosecutors Office, the National Police Agency and the National Immigration Agency of the Ministry of the Interior. These participating agencies discussed measures related to the prevention of economic crimes. Furthermore, on December 26, 2024, the Economic Crime Investigation Center of the Taiwan High Prosecutors Office held its first consultation and coordination committee meeting of 2024. The meeting brought together relevant ministries and departments to jointly discuss issues such as VASP supervision and anti-fraud measures, aiming to strengthen the protection of public interests.



## 2. Status of Cross-Border Financial Supervisory Cooperation

The FSC cooperates with foreign securities and futures regulatory authorities for law enforcement purposes. This cooperation includes information exchange and investigation assistance conducted through the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMOU).

Between 2020 and 2024, the SFB made 31 requests for assistance to foreign competent authorities, with the highest number, 12 requests, occurring in 2022. During the same period, foreign competent authorities made 38 requests for assistance to the SFB, with 15 requests in 2020 being the highest (see Table 1-7). Furthermore, in 2024, both requests for assistance made by the SFB to foreign competent authorities (two cases) were directed to the Securities and Futures Commission of Hong Kong. Meanwhile, foreign authorities submitted six requests for assistance to the SFB, including three from the Securities and Futures Commission of Hong Kong, one from the Central Bank of Ireland, and two from the Hungarian National Bank. These interactions demonstrate that Taiwan has established close communication and cooperative relationships with financial regulatory authorities abroad.

• Table1- 7

| Type \ Year   | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|------|------|------|------|------|
| Number of Cases Requesting Assistance from Foreign Competent Authorities              | 7    | 4    | 12   | 6    | 2    |
| Number of Cases where Foreign Competent Authorities Requested Assistance from the SFB | 15   | 8    | 3    | 6    | 6    |

### 3. Enforcement Results of Insider Trading and Investment Fraud Advertisement Prevention in the Past Five Years

#### a. Enforcement Results of Insider Trading in Taiwan Over the Past Five Years

Over the past five years (January 1, 2020 to December 31, 2024), a total of 71 insider trading cases have been prosecuted, of which 59 cases resulted in guilty verdicts. Currently, there have been 168 individuals sentenced to prison terms ranging from one year to three years and six months. In addition to criminal liability, these individuals were also subject to civil liability. Among the 12 class action lawsuits for compensation filed by the SFIPC on behalf of investors affected by insider trading, six cases successfully obtained compensation.

#### b. Enforcement Results of Preventing Investment Fraud Advertisement in Taiwan

To curb online investment fraud advertising at the source amid the growing prevalence of fraud in recent years, the FSC has amended regulations governing online securities investment advertisements to include anti-fraud measures. These changes align with the Advanced Anti-Fraud Strategic Action Framework 1.5 approved by the Executive Yuan on May 4, 2023. The amendments include the addition of Articles 70-1 and 113-1 to the Securities Investment Trust and Consulting Act, which prohibit illegal securities investment advertisements and require real-name registration. In addition, online platform operators are obligated to review securities investment advertisements and provide a legal basis for law enforcement agencies to take action against illegal advertisements. These regulations were enacted on June 28, 2023.

To stop investment fraud advertisements at the source, since April 10, 2023, the FSC has continuously instructed securities and futures peripheral organizations to actively search for suspicious online securities investment fraud using information search technology and forward them to the Criminal Investigation Bureau (CIB). The CIB then notifies online platform operators to implement takedown procedures. Starting from November 18, 2024, the FSC requested the TWSE to increase the frequency of forwarding such reports to the CIB, from once per day to three times per day, to expedite the removal of fraudulent advertisements. As of December 31, 2024, a total of 70,913 suspected investment fraud cases have been collected and reported. Advertisements violating Article 70-1 of the Securities Investment Trust and Consulting Act were promptly forwarded to the CIB to notify online platform operators for immediate corrective action. Additionally, suspected investment fraud cases have been shared with the CIB as reference information to support investigations, strengthen collaboration in combat investment fraud and illegal operators.

# Major Law Enforcement Cases of the Securities and Futures Markets in Taiwan

## Chapter II

- A. Major Enforcement Cases Involving Administrative Sanctions
- B. Major Enforcement Cases Involving Criminal Liability
- C. Major Enforcement Cases Involving Civil Liability



The enforcement policies, methods, and framework of Taiwan's securities and futures markets, as well as the enforcement effectiveness over the past five years (2020-2024), are outlined in the Foreword and Chapter 1. This chapter continues to explain the major enforcement cases in Taiwan's securities and futures markets in 2024, including administrative sanctions, criminal investigations, and civil liability prosecutions.

## A. Major Enforcement Cases Involving Administrative Sanctions

The FSC's major supervisory cases in 2024 included: (1) Taishin Securities Co., Ltd. (Taishin Securities) where sales personnel engaged in unauthorized fund lending with clients and other misleading conduct; (2) Cathay Securities Investment Trust (Cathay SITE) where internal controls seriously failed as they were unable to effectively review and supervise their former manager's involvement in illegal stock trading; and (3) Yuanta Securities Investment Trust Co., Ltd. and Uni-President Asset Management where their equity ETF marketing and advertising activities misled investors into believing that principal was guaranteed or profits assured, and primarily promoted monthly dividend distributions as their main advertising or sales appeal. These cases resulted in sanctions imposed by the FSC. The details of these cases are as follows.

### 1. A sales representative of Taishin Securities, Chen ○○, engaged in fund lending with clients and other misleading conduct. The FSC imposed a warning and a penalty of NT\$960,000 on Taishin Securities, and ordered the company to dismiss Chen from his position.

Inspections conducted by the TWSE on April 12 and December 15, 2023, revealed that a Taishin Securities sales representative Chen ○○ engaged in violations including lending funds to and misleading clients under the pretext of employee stock subscription. This resulted in clients transferring funds into Chen's personal account. These violations contravened Article 18, Paragraph 1, Paragraph 2 Subparagraphs 9 and 10, in addition to Paragraph 3 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms.

Taishin Securities failed to fulfill its supervisory responsibilities in managing its personnel and did not effectively implement its internal control system, in violation of Article 2, Paragraph 2 of the Regulations Governing Securities Firms. Accordingly, on May 31, 2024, the FSC imposed a warning and a penalty of NT\$960,000 on the company pursuant to Article 66, Subparagraph 1 and Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act (SEA). The FSC also ordered Taishin Securities to dismiss Chen ○○ from his position pursuant to Article 56 of the SEA.

Financial institutions should not only continuously improve and strengthen the effectiveness of their internal controls but also ensure that all employees comply in order to fully achieve internal control objectives. The FSC continues to urge industry participants to enhance their internal control systems and ensure effective implementation, in order to maintain the stable operation of financial markets while protecting investor rights and interests.



## 2. Cathay SITE failed to effectively audit and supervise its former manager's involvement in illegal stock trading, resulting in serious internal control failures. The FSC imposed a warning and a penalty of NT\$1.2 million, and ordered the dismissal of the manager involved.

The FSC has established preventive and post-event measures for conflicts of interest involving investment fund and discretionary investment managers. Preventive mechanisms include trading restrictions for personnel, prohibitions on certain conduct, mandatory shareholding reporting, as well as the management of information and communication equipment. For example, fund managers themselves, their spouses, minor children, or any persons trading under their name are prohibited from buying or selling stocks held by the mutual funds or discretionary accounts they manage. They are also prohibited from trading securities based on information obtained through their position, and must report their stock trading activities on a monthly basis. Post-event trading monitoring mechanisms include monthly self-audits by securities investment trust enterprises (SITEs) to ensure compliance with shareholding reporting requirements by relevant personnel. In addition to the aforementioned supervisory measures, the FSC added seven and enhanced six existing conflict of interest prevention measures on February 20, 2024, to promote the sound development of the asset management industry, maintain market trading order, while continuously improving regulatory mechanisms. In addition, when the TWSE and Taipei Exchange (TPEX) detect abnormal trading activity in individual stocks through market surveillance, they immediately determine whether investment funds and discretionary accounts are involved, then instantly handle and report abnormal incidents. Furthermore, the FSC conducts regular and irregular financial examinations of the financial and business operations of SITEs. If investment fund (or discretionary) managers or related persons are found to be involved in abnormal stock trading activities, administrative procedures are initiated.

In 2023, the FSC conducted a general business evaluation of Cathay SITE. It was discovered that during his tenure, Wu ○○, the manager of Cathay Life's discretionary investment services (Taiwan Stock Nine) entrusted to Cathay SITE, used information obtained through his position to trade, via another person's account, the same individual stocks held in the discretionary investment account he managed. Wu failed to report to the company as required.

The FSC handled this matter through the proper administrative procedures. After considering all statements as well as the evidence gathered during the investigation, it determined that Cathay SITE's internal control system design and implementation lacked effectiveness, failing to audit and supervise managers' personal trading behavior or adequately prevent conflicts of interest.

In this case, Cathay SITE failed to audit and supervise Wu ○○'s personal trading behavior, constituting a major internal control system failure. Cathay SITE did not execute business with care, fiduciary duty, or based on the principle of honesty, which clearly affected the normal execution of discretionary investment business. On April 18, 2024, the FSC imposed a warning and a penalty of NT\$1.2 million on Cathay SITE, ordering Cathay SITE to dismiss Wu ○○ from his position.

Given that SITEs raise public funds to issue funds and manage client-entrusted assets for investment, they should uphold a culture of high integrity in their operations. The FSC imposes severe penalties on companies and individuals who violate the law, without leniency, to promote the sound development of the asset management industry, maintain market order, while protecting the rights and interests of investors.



### 3. Yuanta Securities Investment Trust Co., Ltd. and Uni-President Asset Management's advertising and marketing activities for equity ETF funds were found to violate regulations by creating the misleading impression that principal was guaranteed or profits assured and used monthly distributions as the main appeal in advertising or sales. The FSC imposed corrective measures and fines as penalties.

In March 2024, the advertising activities of Yuanta Securities Investment Trust Co., Ltd.'s "Yuanta Taiwan Value High Dividend ETF" and Uni-President Asset Management's "Uni-President Taiwan High Dividend Momentum ETF" during their fundraising periods caused considerable controversy in the market. After investigation, the FSC found that the advertisements for "Yuanta Taiwan Value High Dividend ETF" violated regulations by employing wording or messaging that could mislead people into believing that principal safety or profits were guaranteed and that equity ETFs used monthly distributions as the main appeal in advertising or sales. Similarly, the "Uni-President Taiwan High Dividend Momentum ETF" advertisements violated regulations by using wording or messaging that had the potential to mislead people into believing that principal was guaranteed or profits assured, and Uni-President Asset Management's job authorization regulations regarding the approval level for advertising materials differed from the operational procedures specified in its internal control system, among other violations. On August 12, 2024, the FSC imposed corrective measures on both Yuanta Securities Investment Trust Co., Ltd. and Uni-President Asset Management, and levied fines of NT\$900,000 and NT\$600,000 respectively. The Commission also requested that compliance units strengthen pre-approval mechanisms for fund offering documents, and that internal audit units enhance review of all sales documents during fund offering periods. Should similar violations be discovered in future investigations, penalties will be increased.

The FSC has clearly defined prohibited behaviors for SITEs and SICEs engaging in advertising, public briefings, along with other business activities (such as not misleading people into believing that principal was guaranteed or profits assured). The FSC also requires SITE operators to disclose warnings when using influencer marketing, enabling investors to clearly identify such content as advertising and marketing information. The FSC has also required SITE companies to strengthen pre-approval and post-audit mechanisms for fund marketing materials, establish pre-, during, and post-management mechanisms for advertising and business activities conducted in collaboration with influencers. SITCA has also been requested to enhance its oversight. The FSC will continue to list ETF investment risk management, advertising plus marketing activities, along with information disclosure as key examination areas in 2025, to maintain sound market development while protecting investors' rights and interests.

#### 4. HereWeBit Ltd. failed to properly implement anti-money laundering (AML), countering the financing of terrorism (CFT) operations, and the inadequate preservation of personal data. The FSC imposed a penalty of NT\$1.02 million on the company and ordered it to make improvements and corrections within a specified timeframe.

In 2023, the FSC included VASPs as financial examination targets for the first time and conducted a specialized inspection of HereWeBit Ltd. (HereWeBit) on anti-money laundering (AML) and countering the financing of terrorism (CFT) operations. The FSC found that HereWeBit violated the Money Laundering Control Act and Personal Data Protection Act. On August 1, 2024, the FSC imposed a penalty of NT\$1.02 million and ordered HereWeBit to make improvements and corrections within a specified timeframe. (HereWeBit's Money Laundering Control Act compliance declaration was revoked on December 31, 2024, therefore HereWeBit may no longer engage in virtual asset activities as a business as of that date)

The inspection found that HereWeBit's anti-money laundering deficiencies included: (1) failure to properly conduct risk assessments for corporate clients; (2) failure to clearly define periodic review frequency and operational procedures for clients with established business relationships; (3) failure to verify customer identity in accordance with regulations; (4) failure to include the sources of virtual assets provided by virtual asset service providers in transaction monitoring scope; (5) failure to verify the accuracy of basic customer information used in some transaction monitoring patterns; and (6) failure to fully retain customer transaction records, making it insufficient to reconstruct individual customer transactions. Additionally, HereWeBit failed to implement appropriate security measures for customers' personal data, in violation of the Personal Data Protection Act regulations.

Virtual assets, due to their decentralization, cross-border and cross-jurisdictional nature, as well as anonymity, pose higher money laundering and terrorism financing risks. Therefore, VASPs should strengthen their internal control systems and implement anti-money laundering measures to prevent improper abuse of the services they provide. The FSC continues to enhance supervisory measures for VASPs to maintain the sound development of Taiwan's virtual asset industry.

## B. Major Enforcement Cases Involving Criminal Liability

### 1. Special Breach of Trust–Yang ○ -Tsai, Manager of Chuan ○ Corporation, and Others Suspected of Violating the Securities and Exchange Act and Related Offenses

Yang ○-Tsai, manager of the R&D department of the publicly listed Chuan○ Corporation, and Yu ○-Feng, manager of the procurement department, were aware that they were obligated to faithfully perform their duties and were prohibited from disclosing or using Chuan ○ Corporation's trade secrets. However, in the second half of 2012, they conspired with Wu ○-Kuo, Teng ○-Li, and Chung ○-Tu, with the intent to unlawfully benefit themselves and others, and jointly committed offenses of disclosing trade secrets obtained through their positions, and special breach of trust. They established Guan○, Yao○, and Yao○ companies, which closely replicated the nuts developed and designed by Chuan ○ Corporation, and resold them overseas. Yang ○-Tsai and others from Chuan○ Corporation provided the company's trade secrets; Yu ○-Feng supplied parts lists for the nuts, and liaised with suppliers; Wu ○-Kuo and Tsai ○-Mao assisted with pre-processing; Chung ○-Tu and Hung ○-Chun used Jin○, ○-Chuan, and Sung ○ companies to export the nuts. By exploiting the R&D achievements and supply/sales networks that Chuan○ Corporation had invested in over time, they were able to undercut prices and gain greater market competitiveness. It is estimated that Chuan ○ Corporation suffered a loss of NT\$20,782,659 in net sales profit from 2014 to 2019, while Guan○ and related companies gained unlawful profits totaling NT\$50,584,717. The case was investigated and referred by the New Taipei City Field Office of MJIB and prosecuted by the Prosecutor of the Taiwan New Taipei District Prosecutors Office.



## 2. Special Breach of Trust and Irregular Transactions–Huang ○ -Hui, Responsible Person of He○ Corporation, and Others, Suspected of Violating the Securities and Exchange Act and Other Offenses

Huang ○ -Hui, Chairman of the OTC-listed He○ Corporation, and others, are suspected of engaging in fictitious transactions with Yung○ Corporation to inflate operating revenue, involving special breach of trust under the Securities and Exchange Act, and money laundering: In April 2019, Huang ○ -Hui and executives of He○ Corporation conspired with Tsai ○ -Chun, the actual responsible person of Yung○ Corporation, to falsely show that Yung○ Corporation purchased vehicle-mounted video management systems from He○ Corporation worth NT\$21,912,660, thereby inflating He○ Corporation's revenue. He○ Corporation also falsely ordered related components from Yi○ Corporation and others, totaling NT\$19,054,350, and prepaid the amount. Later, Yung○ Corporation transferred part of the funds back as payment, but failed to settle the remaining balance, causing a loss of NT\$13,554,350 to He○ Corporation.

Huang ○ -Hui and He○ Corporation's accounting officer Jao ○ -Feng are suspected of making false financial reports in violation of the Securities and Exchange Act: In July 2019, although they knew that the sale of the video systems to Yung○ Corporation was fictitious, Huang and Jao recorded the transaction as operating income and disclosed it on the Market Observation Post System (MOPS), including it in He○ Corporation's 2019 Q2 and annual financial statements. The inflated revenue amounted to NT\$21,912,600, representing 46.9% of June revenue, 24.4% of Q2 revenue, and 6.92% of annual revenue, thereby misleading competent authorities overseeing corporate finances.

Chen ○ -Chuan (Vice Chairman) and Kung ○ -Jen (Director and General Manager) are suspected of special breach of trust under the Securities and Exchange Act, for signing a fraudulent commercial lease contract that caused a loss of RMB¥7.05 million: In January and February 2018, Chen and Kung, on behalf of Kunshan ○ -Guang Co., a 100% invested subsidiary of He○ Corporation, signed a fraudulent commercial lease contract with Mainland Chinese national Tai ○ and Guangzhou Zhi○ Company. Kunshan ○ -Guang paid RMB¥5 million in advance, but never received any legal ownership documents nor rental income, resulting in a total loss of RMB¥7.05 million to He○ Corporation.

Huang ○ -Hui, Chen ○ -Chuan, and Fang ○ -Ching are suspected of special breach of trust under the Securities and Exchange Act for entering into irregular contracts concerning parking lot cooperation, causing a loss of RMB¥2.6 million to He○ Corporation: In January and February 2019, Huang, Chen, and Fang, on behalf of He○ Corporation's 100% subsidiaries, Kunshan ○ -Jin and Kunshan ○ -Guang, signed false agreements with Si○ Company titled "Smart Parking Market Promotion Cooperation Agreement" and "Intelligent Parking System Construction Engineering Contract." These subsidiaries paid Si○ Company RMB¥2.6 million, but the company performed no promotion or construction work, resulting in the stated loss. The case was investigated and referred by the Northern Mobile Workstation of the MJIB, and prosecuted by the Prosecutor of the Taiwan Taipei District Prosecutors Office.

### 3. Special Breach of Trust, Irregular Transactions, Insider Trading, and Stock Price Manipulation—Teng ○-Ming, Responsible Person of Tien○ Corporation, and Others, Suspected of Violating the Securities and Exchange Act

Tien○ Corporation, an OTC-listed company, was involved in transactions arranged by its Chairman, Teng ○-Ming, with Le○ Corporation and Fang○ Corporation, suspected of special breach of trust and irregular transactions: In June 2018, Teng ○-Ming conspired with Chen ○-Pang, the actual person in charge of Le○ and Fang○ Corporations, knowing that Fang○ Corporation had no real operations and Le○ Corporation was merely a game outsourcing company. Despite this, Teng ○-Ming submitted an unreasonable investment evaluation report and appraisal to the board of directors, leading to Tien○ Corporation's approval to purchase mobile game licenses, and commission the development of several mobile games from the aforementioned companies. Teng and associates conducted the acceptance review by themselves, and Chen ○-Pang misappropriated the funds for personal use. The contracted games were never completed as scheduled, causing Tien○ Corporation a total loss of NT\$263.6 million. Tien○ Corporation was involved in insider trading: On August 17, 2018, at 17:08:06, Tien○ Corporation announced via the Market Observation Post System (MOPS) that it had signed a strategic alliance agreement with Tai○ Corporation, to co-operate on the mobile game "Transfer Student," where Tai○ Corporation invested NT\$54 million in exchange for 18% of the future revenue rights. Chairman Teng ○-Ming, Chou ○-Chi, Senior Executive and Head of Finance, Chen ○-Hsun, Tai○ Corporation's board representative (from Liu○ Corporation), and Chan ○-En, Tai○ Corporation's investment development specialist, all gained access to this material nonpublic information due to their positions. They used their personal or associated company securities accounts to buy 244,000 shares of Tien○ and 93,000 shares of Tai○ during the restricted trading period. Additionally, Tai○ Corporation's then chairman's assistant, Wang ○-Jen, passed the information to his mother, Lo ○-Hsüan, who purchased 34,000 shares of Tien○ Corporation during the restricted period. Total illegal gains amounted to NT\$3,326,880. Tien○ Corporation was involved in stock price manipulation:

Teng ○-Ming, Chen ○-Fang, and Chen ○-Tse (the actual person in charge of Hua○ Corporation, a corporate director of Tien○) conspired to manipulate stock prices using nominee securities accounts. During two analysis periods (May 28, 2018–December 31, 2018, and January 1, 2019–May 28, 2019), they engaged in activities such as price ramping, wash trading, and matched orders, to inflate the stock price of Tien○ Corporation. After boosting the price, they sold the shares for profit. The three account groups (Teng's, Chen Fang's, and Chen Tse's) collectively gained NT\$127,344,000 in illegal profits. Tien○ Corporation's sale of real estate to Lung○ Corporation, suspected of special breach of trust and irregular transaction: On October 25, 2018, Teng ○-Ming arranged for Tien○ Corporation to sell a parcel of land in Neihu District, Taipei City to Lung○ Corporation for NT\$435,064,000—significantly below the market value. Based on 2018 regional market rates of NT\$1.263 million per ping, the actual value of the land was NT\$686,857,290. The underpriced sale caused a loss of NT\$251,793,290 to Tien○ Corporation. The case was investigated and referred by the Taipei City Field Office of the MJIB, and prosecuted by the Prosecutor of the Taiwan Taipei District Prosecutors Office.



#### 4. Special Breach of Trust–Wang ○-Feng, Responsible Person of Tai○ Bank, and Others, Suspected of Violating the Securities and Exchange Act

Wang ○-Feng, former Chairman of the listed Tai○ Bank and its subsidiary, Tai○ Insurance Brokers, conspired with Chou ○-Nan, the actual responsible person of Fei○ Corporation, Ji○ Corporation, and Che○ Corporation, to pursue unlawful benefits for himself and others, breaching his duty of loyalty, and faithfully executing his responsibilities. Taking advantage of his authority as Chairman, Wang instructed subordinates at Tai○ Insurance Brokers, including Lai ○-Tzu, to cooperate in the following misconduct from 2015 to 2018: (1) He orchestrated Tai○ Insurance Brokers to lease luxury vehicles from Ji○ Corporation, under the guise of company car rentals, though all vehicles were for Wang's personal use. This resulted in NT\$125,658,000 in losses to the company. (2) In 2016, knowing that Tai○ Insurance Brokers had no need to purchase or lease an aircraft, Wang still pushed the company to sign a letter of intent with Ji○ Corporation for aircraft purchase under the pretense of business expansion, and immediately remitted NT\$90 million to Ji○ Corporation for aircraft procurement. From November 2016 to July 2020, Tai○ Insurance Brokers continued to pay significant amounts for deposits and chartering fees. From September 2020 to September 2021, Tai○ Bank took over the payments, causing a total loss of NT\$275 million to both Tai○ Bank and Tai○ Insurance Brokers. (3) Under the excuse of building brand image, Wang directed Tai○ Insurance Brokers to sponsor Che○ Corporation for sports event advertising expenses from 2015 to 2019. However, the funds were never used for actual marketing, resulting in a loss of NT\$386.4 million to the company. (4) From April 2017 to December 2023, Wang instructed Tai○ Insurance Brokers to lease real estate from Fei○ Corporation as a private guest house, and to cover interior decoration costs. The renovations extended into Wang's personal residence. Between February 2018 and January 2024, Wang further arranged for services from Ban○ Corporation, owned by his friend Yang ○-Chiang, to provide luxury alcohol and cleaning services at the guest house for private gatherings. These actions caused NT\$75,769,244 in losses to Tai○ Insurance Brokers. Altogether, the misconduct caused NT\$844,227,244 in damages to Tai○ Bank and Tai○ Insurance Brokers. The Financial Supervisory Commission (FSC) imposed administrative penalties of NT\$12 million and NT\$3 million, respectively. The case was investigated and referred by the Northern Mobile Workstation of the MJIB, and prosecuted by the Prosecutor of the Taiwan New Taipei District Prosecutors Office.

## 5. Stock Price Manipulation–Lin ○-Chun, person in charge of Dai ○ Company, and others suspected of violating the Securities and Exchange Act

Lin ○-Chun, the person in charge of Dai ○ Company, a listed company, and Chung ○-Hung, the Investor Relations (IR) department manager, collaborated in 2018 to increase the company's stock trading volume and raise its share price, due to a sharp decline in stock price and sluggish trading activity. They cooperated with market operator Su ○-Hua, who in turn recruited former securities broker Teng ○-Ling. The four individuals—Lin ○-Chun, Chung ○-Hung, Su ○-Hua, and Teng ○-Ling—conspired with intent to create a false appearance of active trading and to manipulate Dai ○ Company's stock price. Between August 9, 2018 and November 30, 2019 (a total of 321 trading days, hereinafter “the analysis period”), they used 16 securities accounts controlled by Su ○-Hua and 8 others to manipulate the price of Dai ○ stock by placing high-priced buy orders, pushing up closing prices, and executing offsetting trades. As a result, the stock price increased from NT\$35.65 at the start of the period to NT\$40.95 at the end, a rise of 14.86%, which significantly outperformed the sector index (down 6.49%) and the market index (up 4.18%) during the same period. During the analysis period, Dai ○'s average daily trading volume was 289,000 shares, up 115.67% compared to the previous month's 134,000 shares—far exceeding the same period's decline of 13.66% for the sector and 23.75% for the overall market. Lin ○-Chun and the others earned an actual profit of NT\$62,002,052 and a deemed profit of NT\$12,148,636 through their stock manipulation, for a total gain of NT\$74,150,688. The case was investigated and referred by the Central Mobile Workstation of the MJIB, and prosecuted by the Prosecutor of the Taiwan New Taipei District Prosecutors Office.

## 6. Stock Price Manipulation–Weng ○-Chung, person in Charge of Ying ○ Company, Suspected of Stock Price Manipulation in Violation of the Securities and Exchange Act

Weng ○-Chung served as Chairman and General Manager of Ying ○ Company, a publicly listed firm, and was also the person in charge of Jing ○ Company. In 2019, Ying ○ Company's stock price kept going down due to Ying ○ Company's poor operation performance, Weng ○-Chung, in an effort to support the company's stock price and avoid being forced to repay margin loans or provide additional collateral by Yuan ○ Securities and others, conspired with his second daughter Weng ○-Lien and Jing ○ Company's finance department head Tsai ○-Chen. Together, they engaged in a scheme to artificially inflate the stock price and create a false impression of active trading. During three analysis periods—April 16 to May 15, 2019 (Analysis Period I), August 5 to September 4, 2019 (Analysis Period II), and February 27 to March 30, 2020 (Analysis Period III)—they used securities accounts under Weng ○-Chung and his unsuspecting spouse Chen ○-Na to manipulate Ying ○ Company's stock price by means of continuous high-price buying, low-price selling, and matched trades. As a result, the stock price was maintained within the following price ranges during each analysis period: NT\$21.6 to NT\$26.7 in Period I, NT\$18.85 to NT\$23.4 in Period II, and NT\$10.65 to NT\$13.8 in Period III. The calculated losses were NT\$1,215,230 in Period I, NT\$1,284,630 in Period II, and NT\$2,036,160 in Period III, totaling a loss of NT\$4,536,020. The case was investigated and referred by the Tainan City Field Office of the MJIB, and prosecuted by the Prosecutor of the Taiwan Tainan District Prosecutors Office.

## 7. Insider Trading–Tsai ○-Tsan, person in Charge of Kai○ Company, Suspected of Insider Trading in Violation of the Securities and Exchange Act

Kai○ Company, a publicly listed company, announced on the Market Observation Post System (MOPS) at 16:05:22 on July 10, 2020, that “due to receiving a mask order from a European customer, a discrepancy in product specifications has led to a dispute over payment, resulting in potential unrecoverable accounts receivable and advance payments, as well as inventory losses, which are estimated to have a potential impact of approximately NT\$210 million on the Q2 financial report” (hereinafter Material Information I). On November 16, 2020, at 14:27:03, the company published its Q3 financial report, which disclosed in the footnotes a dispute over medical glove procurement leading to a loss provision of NT\$67,908,000 under other receivables, and a failed light cycle oil sales contract that may incur a contingent liability of approximately NT\$1 billion in penalties (hereinafter Material Information II). Tsai ○-Tsan, Chairman and General Manager of Kai○ Company, clearly knew that the two aforementioned material negative disclosures would inevitably cause the company’s stock price to decline once made public. He also understood that under the law, no trades may be conducted on company stock under his own or other persons’ accounts when such Material Information was clear, before making public or within 18 hours after making public. Nevertheless, with the intent to avoid losses through insider trading, Tsai ○-Tsan instructed his sister Tsai ○-Ling, his friends Lee ○-Jung and Yao ○-Chih, as well as securities account nominee Chang ○-Che, to sell large volumes of Kai○ Company shares held under the names of Tsai ○-Tsan’s affiliated entities, including Mou○ Company, Yu ○-Fang, and Hang ○-Ping, before the public disclosure of Material Information I, avoiding losses totaling NT\$23,896,950. Furthermore, prior to the announcement of Material Information II, Tsai ○-Tsan either directly or through his friends Lee ○-Jung and Yao ○-Chih, sold large amounts of Kai○ Company stock controlled via the Jing○ account and held under the names of Yu ○-Fang, Chen ○-Lan, and others, avoiding an additional NT\$82,949,720 in losses. The case was investigated and referred by the New Taipei City Field Office of MJIB, and prosecuted by the Prosecutor of the Taiwan New Taipei District Prosecutors Office.

## 8. Insider Trading–Huang ○ -Neng, Chairman of Hsin ○ Company, Suspected of Insider Trading in Violation of the Securities and Exchange Act

On December 2, 2020, at 14:12:57, the Market Observation Post System (MOPS) announced in its Tender Offer section that “Japanese company ○○ Co., Ltd. intends to launch a tender offer for the common shares of Hsin ○ Company.” On the same day at 17:18:27, Hsin ○ Company, then listed on the OTC market (which was delisted and ceased to be a public company on December 10, 2021), issued a material information disclosure titled “Notification regarding the receipt of tender offer filing, tender offer prospectus, and related documents submitted and announced by Japanese company ○○ Co., Ltd.” The tender offeror, ○○ Co., Ltd., had previously communicated its intent to acquire shares of Hsin ○ Company to then-General Manager Wu ○-Hung via LINE on October 7, 2020. Since ○○ Co., Ltd. held a 52.3% stake in Hsin ○ Company and occupied four board seats, it had a substantial advantage in executing the acquisition. Huang ○-Neng, then Chairman of Hsin ○ Company, learned of this material information due to his official position. During the restricted trading period from October 7 to November 24, 2020, he used securities accounts registered under related companies and personal acquaintances to purchase 326,000 shares and sell 33,000 shares of Hsin ○ Company stock, realizing a deemed profit of NT\$2,164,000. Additionally, on November 3, 2020, Huang ○-Neng disclosed the material nonpublic information to his friends Chang ○-Che, Chang ○-Hsiang, and Chang ○-Chiang. Together, these four individuals purchased a total of 1,271,000 shares and sold 93,000 shares of Hsin ○ Company stock during the restricted period, with illegal gains amounting to NT\$7,613,000. The case was investigated and referred by the Southern Mobile Workstation of the MJIB and prosecuted by the Prosecutor of the Taiwan Kaohsiung District Prosecutors Office.



## C. Major Enforcement Cases Involving Civil Liability

Examples of cases where the SFIPC initiated litigation to pursue civil liability in 2024 are listed as follows:

### 1. YeaShin International Development Co., Ltd. (YeaShin) insider trading case:

The defendants, who were the chairman and director of YeaShin, learned through their positions of confidential material information that YeaShin would dispose of major assets and sign a cooperative construction contract with Chialin Precision Industrial Co., Ltd. Before this information was publicly disclosed, the defendant chairman used other people's accounts to purchase YeaShin stock. The defendant director, with the intent to assist, following instructions from the defendant chairman, used company accounts controlled by the defendant chairman to purchase YeaShin stock before the information was publicly disclosed. In August 2023, the Taipei District Prosecutors' Office of Taiwan filed a public prosecution against the individuals for suspected insider trading.

The aforementioned conduct of the criminal defendants, YeaShin's chairman and director, violated the law. In February 2024, the SFIPC filed a lawsuit with the Commercial Court pursuant to Article 10-1 of SIFTPA, requesting the removal of the two individuals from their Board positions at YeaShin.

### 2. Medigen Vaccine Biologics Corporation (MVC) insider trading case (1):

During the COVID-19 pandemic, MVC was engaged in the research and development of COVID-19 vaccines and applied to the Taiwan Food and Drug Administration for Emergency Use Authorization (EUA) for its developed vaccine in June 2021. The defendant was appointed as an expert committee member to review whether to approve the EUA for vaccines. In July 2021, the defendant learned that the review committee had conditionally approved the vaccine's EUA, confidential material information that significantly affected the company's stock price. The defendant disclosed this privileged information to their spouse (also a defendant in this case), and the defendant's spouse traded MVC stock before the information was publicly disclosed. The Shilin District Prosecutors Office filed public prosecution in April 2023, charging the perpetrators with insider trading offenses.

The SFIPC announced in October 2023 that it would accept investor registration for compensation claims based on the illegal conduct described in the criminal indictment, and in May 2024, filed a class action lawsuit against the defendants and others with the Commercial Court pursuant to Article 28 of SIFTPA, seeking damages.

The SFIPC reached a settlement with the defendants in November 2024, obtained compensation, and established mediation.



### 3. MVC insider trading case (2):

The defendant became acquainted with MVC's management through participation in Rotary Club activities and learned that MVC was developing COVID-19 vaccines. In September 2020, the defendant informed MVC's management that a Malaysian listed company, Metronic Global Bhd, was willing to cooperate with MVC. The two parties subsequently held a video conference in October 2020 and signed a cooperation agreement memorandum. Through participation in the meeting, the defendant obtained knowledge of this material information that significantly affected the stock price, and subsequently traded MVC stock before the information was publicly disclosed. The Taipei District Prosecutors Office filed public prosecution in June 2023, charging the defendant with insider trading offenses.

The SFIPC announced in November 2023 that it would accept investor registration for compensation claims based on the unlawful conduct described in the criminal indictment. In May 2024, it filed a class action lawsuit with the Commercial Court against the perpetrators of the criminal misconduct pursuant to Article 28 of SIFTPA, seeking damages.

The SFIPC reached a settlement with the defendant in August 2024, obtained full compensation, and has withdrawn the related litigation in this case.

### 4. Hi-Clearance Inc. (Hi-Clearance) false financial reporting case:

Hi-Clearance had previously been suspended from bidding for one year in 2011 due to defects in its tender bid. To avoid being unable to bid due to the suspension, Hi-Clearance used its substantially related entities YI SHENG MEDICAL CARE CO., LTD. (YI SHENG MEDICAL CARE) and Xing Tian Co., Ltd. (Xing Tian) as distributors to assist Hi-Clearance in bidding or selling products. Between 2011 and 2022, the transaction amounts between Hi-Clearance and Yi Sheng Medical Care, as well as Xing Tian reached over 20% of Hi-Clearance's paid-in capital, meeting the materiality threshold for affecting decision-making. However, Hi-Clearance's responsible person, acting with intent to conceal related-party transactions, failed to disclose YI SHENG MEDICAL CARE and Xing Tian as actual related parties under the "Related Party Transactions" section in the notes to the consolidated financial reports from 2011 to 2022. This resulted in false and concealed information. The New Taipei District Prosecutors Office filed criminal charges in December 2023 against the wrongdoers for suspected crimes including false financial reporting.

The aforementioned conduct by Hi-Clearance's responsible person as criminal defendant violated the law. In April 2024, the SFIPC filed a lawsuit with the Commercial Court pursuant to Article 10-1 of SIFTPA, requesting the removal of the responsible person from their director position at Hi-Clearance.

## 5. Sintronic Technology Inc. (Sintronic) stock price manipulation case:

The defendant served as chairman of Sintronic since 2016 up to the present (as of the time of this report). As chairman of Sintronic, the defendant manipulated Sintronic's stock price during the period from October 1, 2016, to December 31, 2017 with the intent to obtain illegal profits. The defendant was suspected of crimes including matched orders, continuous trading, and matched trades as prohibited under Article 155, Paragraph 1, Subparagraphs 3, 4, and 5 of the SEA. Criminal charges were filed by the Taiwan Taipei District Prosecutors Office on December 21, 2022.

The aforementioned conduct by Sintronic's responsible person as criminal defendant has violated the law. In June 2023, the SFIPC filed a lawsuit with the Commercial Court pursuant to Article 10-1 of SIFTPA, requesting the removal of the person responsible from their position as chairman at Sintronic.

## 6. Launch Technologies Co., Ltd. (Launch Tech) industrial safety accident case:

The defendants served as directors, general managers, or relevant department supervisors at Launch Tech and failed to responsibly manage hazardous materials and factory safety. This resulted in an explosion at Launch Tech's factory in September 2023. The incident caused the factory to burn down, resulting in multiple casualties. The Taiwan Pingtung District Prosecutors Office filed criminal charges on January 23, 2024, against the defendants for suspected crimes including negligent homicide, negligent injury, serious injury, arson of occupied buildings, and major occupational disasters.

Regarding the damages caused to the company, in August 2024, the SFIPC filed a damages lawsuit against the defendants on behalf of Launch Tech with the Pingtung District Court pursuant to Article 10-1 of SIFTPA.

The defendants, the responsible persons of Launch Tech, committed illegal acts. In May 2024, the SFIPC filed a lawsuit with the Commercial Court pursuant to Article 10-1 of SIFTPA, requesting the removal of these responsible persons from their director positions at Launch Tech.

# Challenges and Improvements in Law Enforcement of the Securities and Futures Markets in Taiwan

## Chapter III

A. Current Status and Improvements of Supervision on Virtual Asset Service Providers (VASPs) in Taiwan

B. Measures for Strengthening Investor Protection in Taiwan's Anti-Financial Fraud Efforts



All participants in the securities and futures markets must comply with the Securities and Exchange Act and related regulations. Effective enforcement ensures compliance with the aforementioned regulations and supports sound market operations. In response to challenges posed by shifts in the external environment, regulatory authorities must adopt appropriate supervisory measures to support business transformation and adaptation, while ensuring sound market operations plus protecting investor interests.

With the rapid global development of virtual asset markets, Taiwan also actively responds to potential risks and regulatory needs by establishing a supervisory mechanism for Virtual Asset Service Providers (VASPs). The FSC has implemented anti-money laundering regulations for VASPs and is taking a gradual approach to promote a holistic business supervision system to foster stable industry development and safeguard investor interests.

Furthermore, in light of increasingly diverse and digitalized fraud tactics, the FSC has adopted a wide range of anti-fraud supervisory measures to raise public awareness and enhance inter-ministerial cooperation with law enforcement agencies. These efforts aim to comprehensively enhance anti-fraud capabilities and establish a more robust anti-fraud defense system to protect consumer rights and uphold financial market integrity.

The current implementation status and enhancement measures for strengthening VASP supervision and investor protection against financial fraud in Taiwan are explained as follows.

### **A. Current Status and Improvements of Supervision on Virtual Asset Service Providers (VASPs) in Taiwan**

As the competent authority designated by the Executive Yuan for overseeing virtual assets with financial investment or payment functions, the FSC has adopted a four-stage, progressive approach to strengthening VASP supervision, grounded in anti-money laundering principles and aligned with international trends. Stage one began on June 30, 2021, with the issuance of AML/CFT regulations for VASPs, bringing them under supervision and requiring them to complete AML compliance declarations in accordance with FSC regulations. Stage two, the FSC issued VASP guidelines on September 26, 2023; it involved the promotion of VASP associations, and supervision of the development of self-regulatory standards and internal control templates. Stage three added VASP registration requirements under the Money Laundering Control Act. Stage four entailed the promotion of dedicated legislation for Virtual Asset Service Act to establish a robust supervisory framework that supports effective oversight and healthy industry development.

## 1. Current status of the FSC's AML supervision of domestic VASPs

- a. On November 30, 2024, the FSC enacted the Regulations Governing Anti-Money Laundering Registration of Enterprises or Persons Providing Virtual Asset Services (VASP Registration Regulations) under the authority of the Money Laundering Control Act. Key provisions include requirements and procedures for AML registration, revocation or cancellation of registration, mechanisms for reviewing listing plus delisting virtual assets, prevention of unfair trading, methods for the segregation of company and customer assets, information systems and security, wallet management, along with other compliance obligations. Any business or individual intending to provide virtual asset services must apply for AML registration by the documents and procedures specified in the VASP Registration Regulations. Virtual asset service providers established overseas must also register a company or branch in Taiwan under the Company Act and complete AML registration. Those who provide virtual asset services without completing registration will face criminal penalties of up to two years imprisonment, detention, or a penalty of up to NT\$5 million, or both.
- b. The Taiwan Virtual Asset Service Provider Association was approved for establishment by the Ministry of Interior on August 30, 2024. The FSC has actively supervised the association in incorporating key provisions of the VASP guidelines into its self-regulatory standards, including the addition of penalties to enhance compliance. As of the end of December 2024, the Taiwan Virtual Asset Service Provider Association completed six self-regulatory standards, covering listing and delisting review, customer protection, anti-money laundering alongside countering the financing of terrorism, anti-fraud and industry-wide defense mechanisms, information system and security management, in addition to asset segregation and custody.
- c. To strengthen anti-fraud efforts, the FSC, Ministry of Justice, and Ministry of Digital Affairs jointly established a Virtual Asset Task Force in December 2024. Through inter-ministerial cooperation that integrates judicial investigation practices, digital technology expertise, and financial regulatory supervision, the task force has built a fraud prevention network that emphasizes both investigation and prevention. Follow-up meetings are held periodically to discuss anti-fraud legislative developments and practical challenges in combating fraud. Law enforcement agencies may compile characteristics of fraudulent transactions or common criminal patterns, then provide them to the FSC as a reference. This information can be incorporated into industry control standards to help safeguard the public's financial assets.



## 2. Implement VASP Business Supervision in Stages

### a. Promote Legislation of Dedicated VASP Management Law

In January 2024, the FSC commissioned an external study to establish a dedicated Virtual Asset Service Act, with the goal of promoting the sound operation and development of Taiwan's virtual asset industry, enhancing the management of virtual asset services and markets, while protecting the rights of virtual asset traders. The draft legislation was developed with reference to international standards, including those of the EU, Japan, Korea, Hong Kong, the UK, and the International Organization of Securities Commissions (IOSCO), complemented by hosting panels of experts, scholars, the Taiwan Virtual Asset Service Provider Association, and the Central Bank. The draft was announced through administrative procedures on March 25, 2025. Key provisions of the draft cover general principles, virtual asset service providers, VASP associations, stablecoin issuance and management, oversight, penalties, and supplementary rules. The regulatory priorities include the issuance of stablecoin and enhanced VASP management, including organizational structure, capital requirements, personnel qualification conditions, financial reporting, and customer protection. The FSC will revise provisions by referencing foreign laws while considering Taiwan's industry conditions to ensure the sound operation and development of virtual asset businesses.

### b. Strengthen Cooperation with the Taiwan Virtual Asset Service Provider Association

The FSC will continue to supervise the Taiwan Virtual Asset Service Provider Associations in developing self-regulatory standards, guide businesses in strengthening internal controls, and maintaining effective communication channels with the associations to ensure timely responses to VASP industry needs, promoting sound development of the VASP sector and enhancing customer rights protection.

### c. Promote Sound Development of FinTech and VASP Industries

Virtual assets are a rapidly advancing emerging technology, and many countries are fostering related industries. Given Taiwan's strong technical expertise in blockchain and virtual assets, along with its well-established infrastructure, there is significant potential for future growth. In addition to actively promoting the inclusion of businesses under dedicated regulations and enhancing market soundness plus service quality, the FSC's establishment of specific laws aims to guide businesses with effective measures that foster industry development and strengthen Taiwan's international competitiveness in financial technology.



## B. Measures for Strengthening Investor Protection in Taiwan's Anti-Financial Fraud Efforts

To implement anti-fraud measures and complete relevant legal systems, the FSC incorporated VASP registration requirements into the Money Laundering Control Act, amended on July 31, 2024, imposing criminal liability on illegal operators to strengthen oversight. The FSC also enhanced VASP's AML management through subsidiary regulations (please refer to Chapter 3, Section 1: Current Status and Enhancement Measures of Taiwan's Supervision of Virtual Asset Service Providers in this report). Additionally, the Fraud Crime Hazard Prevention Act promulgated on July 31, 2024, grants VASPs the same anti-fraud obligations as financial institutions.

To further combat fraud, prevent and deter the misuse of VASP services for fraudulent activities, and protect the public's rights and interests, the FSC issued the subordinate regulation, titled Regulations Governing Fraud Crime Hazard Prevention by Financial Institutions and Businesses or Personnel Providing Virtual Asset Services on November 29, 2024, pursuant to the Fraud Crime Hazard Prevention Act. Key provisions include imposing anti-fraud promotion obligations on operators, facilitating industry consultation, implementing necessary control measures, cooperating with judicial police authorities to establish joint prevention and reporting mechanisms, assisting with fund freezing, accelerating the return of fraudulent funds, and other compliance requirements. Furthermore, the regulation stipulates that operators cooperating with anti-fraud efforts may be exempted from business confidentiality obligations, thereby helping VASPs comply with legal requirements and enhance anti-fraud effectiveness.

The FSC continues to carry out a series of measures to prevent financial fraud and safeguard investors, effectively deterring investment fraud and protecting public assets:

### 1. Proactively identify and remove suspected fraudulent websites

The FSC supervises securities and futures peripheral organizations in using information search technology to actively identify suspected fraudulent online securities investment advertisements. It also requests the CIB to notify online platform operators to take down suspicious items in accordance with the law, while improving methods for detection and reporting.

### 2. Continue to conduct various anti-fraud promotion activities

In addition to issuing press releases, the FSC supervises the TWSE, TPEX, TAIFEX, the TWSA, SITCA, the CNFA, and other relevant industry participants in carrying out a series of anti-fraud promotion activities. These efforts include strengthening outreach through LINE communities, online advertising platforms (such as The Commercial Times, LineToday, Google) and various new media platforms, generating over ten million views. Furthermore, anti-fraud tips for virtual assets are presented in engaging and accessible formats, such as Dcard videos, short clips, and integration into campus investment education seminars.

### 3. Establish dedicated sections for fraud prevention and lists of legitimate operators

A dedicated section has been set up on the FSC website for investors to verify information on legitimate operators. An anti-fraud consultation hotline ((02) 2737-3434) is also available to provide inquiry services about legitimate operators. Additionally, a Watch List for Unauthorized Securities and Futures Operators and Products has been established to help the public stay vigilant.

### 4. Hold meetings to reinforce supervision of financial investment advertisements

Since March 9, 2023, the FSC has held six meetings, inviting Google and Meta to share their advertising review mechanisms. Additionally, in coordination with the Executive Yuan's meeting on January 25, 2024, Google and Meta were again invited to discuss ways to improve advertising review processes and enhance real-name disclosure requirements for advertisements.

### 5. Close cooperation with law enforcement agencies

An instant communication channel has been established with the CIB, with regular compilation and provision of information on legitimate operators and products to support intelligence sharing while strengthening efforts to combat fraud effectively.



**Appendix I Key Amendments to Relevant Laws and Regulations in Taiwan's Securities and Futures Markets in 2024**

**Appendix II Information on the Law Enforcement Results of the TWSE, TPEX, and TAIFEX**

**Appendix III Statistics on Administrative Sanctions Imposed by the Securities and Futures Bureau from 2020 to 2024**

## Appendix





## Appendix I

### Key Amendments to Relevant Laws and Regulations in Taiwan's Securities and Futures Markets in 2024

#### 1. Amendments to the Securities Investor and Futures Trader Protection Act to protect public interests

In order to further improve the regulatory system for the Investor Protection Center to initiate derivative suits and discharge suits, promote corporate governance, and public interests. The FSC proposed amendments to certain articles of the Securities Investors and Futures Traders Protection Act were approved by the Legislative Yuan on July 1st, 2025. The President promulgated the amendments on July 16th.

The amendments expanded the independent causes to initiate suits, cross-company discharge, and expand the funding sources of the Investor Protection Center to support future business development. The key points and the benefits of the amendments are as follows:

##### a. The key points of the 2025 amendments

- i. Expansion of independent causes for the Investor Protection Center to initiate derivative suits and discharge suits, including company directors or supervisors are involved in securities fraud of financial statements or prospectus, non-arm's length transactions, embezzlement, and breach of trust. It is explicitly stated that ongoing derivative suits and discharge suits initiated by the Investor Protection Center that have not yet reached a final and binding court judgment or ruling before the implementation of the amendments to this Act are subject to the new revised articles after the implementation of the amendment.
- ii. To expand the funding resources for the Investor Protection Center's operating expenditure. In addition to current-year interest on the protection fund, the accumulated surplus from the Protection Fund's interest income after covering business expenses from past years shall also be allocated as a funding resource for the Investor Protection Center.

##### b. The benefits of the 2025 amendments

- i. Expansion of independent causes to discharge directors or supervisors, and holding directors and supervisors accountable for serious illegal activities to protect the public interest.
- ii. To expand the funding resources for the Investor Protection Center's operating expenditure and ensure the security and stability of the protection fund.

#### 2. Amend Article 14 of the Securities and Exchange Act to encourage listed companies to share profits with entry-level employees and appropriately raise employee remuneration

To encourage listed companies to increase entry-level employee remuneration and share business results with employees, the Securities and Exchange Act was amended and promulgated on August 7, 2024. Paragraph 6 was added to Article 14, requiring listed companies to stipulate in their articles of incorporation that a certain percentage of annual profits shall be allocated for adjusting salaries or distributing remuneration to entry-level employees. The FSC also issued Order No. 1130385442 on November 8, 2024, supplementing relevant provisions and requiring listed companies to complete the amendments to their articles of incorporation at their 2025 shareholders meetings in accordance with these regulations. Through legislative declaration, the goal is that domestic enterprises will be encouraged to increase overall remuneration for entry-level employees, creating a positive cycle that encourages companies to deepen their implementation of corporate social responsibility and sustainable development.

### 3. Amend and promulgate regulations such as the Regulations Governing Securities Investment Trust Funds, to facilitate the introduction of diversified financial products by operators, strengthen conflict of interest transaction prevention mechanisms, enhance flexibility in utilizing entrusted assets, and ensure the sound future development of the asset management industry

- a. To promote the development of Taiwan's asset management market and offer investors a wider range of investment options, the FSC amended and promulgated the Regulations Governing Securities Investment Trust Funds, Guidelines for Required Disclosure in the Prospectus of Securities Investment Trust Funds Offered by Securities Investment Trust Enterprises, and Standards Governing Eligibility of Securities for Margin Purchase and Short Sale on December 25, 2024. The key amendments are as follows:
  - i. Added actively managed Exchange Traded Funds (active ETFs) as a new fund category with specified compliance requirements, while easing restrictions to allow index constituent securities of passive ETFs to include both stocks and bonds simultaneously.
  - ii. In response to Article 156 of the Company Act, the Standards Governing Eligibility of Securities for Margin Purchase and Short Sale were amended to apply to listed companies with no par value shares or shares with par value not equal to NT\$10.
- b. On November 27, 2024, the FSC issued interpretive amendments to the Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises to enhance mechanisms for preventing conflicts of interest and maintaining market order. The amendments require that internal audit supervisors at SITEs must meet specified qualification criteria and hold a position equivalent to vice president. In addition, the FSC amended the Regulations Governing Securities Investment Trust Enterprises and Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises, specifying that SITEs and SICEs engaged in discretionary investment businesses must establish regulations for the use of information and communication equipment. These entities must clearly define preventive measures for potential conflicts of interest within their internal control systems and implement them effectively.
- c. On December 24, 2024, the FSC issued an order to amend the Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises. The amendments enhance the flexibility in utilizing entrusted assets for Taiwan's asset management industry operators and expand the scale of domestic asset management. The amendments further remove the 10% investment cap on the total shares of any single company that may be collectively held by all discretionary investment accounts managed by SITEs or SICEs.

### 4. Supervise relevant associations to establish self-regulatory or operational guidelines in response to the FSC's release of the Guidelines for the Financial Industry's Use of Artificial Intelligence (AI) on June 20, 2024

To support the securities, SITE, SICE, and futures industries in adopting, using, and managing AI under controllable risk conditions, the FSC has overseen the release of relevant self-regulatory guidelines. The TWSA, SITCA, and CNFA issued the Self-regulatory Guidelines for Securities Firms' Use of Artificial Intelligence Technology, the Operational Guidelines for Securities Investment Trust Enterprises and the Self-regulatory Guidelines for the Application of Artificial Intelligence Technology in the Futures Industry on November 21, 2024, January 23, 2025, and November 6, 2024, respectively. These guidelines were developed in line with the FSC's Guidelines for Artificial Intelligence (AI) Applications in the Financial Industry, released on June 20, 2024, and the Bankers Association's Operating Regulations for the Use of Artificial Intelligence Technologies by Financial Institutions released on May 6 of the same year. They outline key requirements for protecting customer rights, ensuring fair customer treatment, maintaining system security and stability, establishing governance and accountability mechanisms, while promoting transparency in the use of AI.



## Appendix II

### Information on the Law Enforcement Results of the TWSE, TPEX, and TAIFEX

#### 1. Disciplinary Measures Against TWSE/TPEX-Listed Companies and TPEX Emerging Stock Companies

In case of violations by TWSE/TPEX-listed companies and TPEX Emerging Stock Companies, the TWSE and TPEX may take disciplinary actions based on the severity of the offense to maintain a sound capital market and safeguard shareholders' interests.

| Disciplinary Measures<br>Market Category  |             | Year | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-------------|------|------|------|------|------|------|
| Letters Requesting Corrective Actions   | TWSE-Listed |      | 95   | 72   | 133  | 131  | 131  |
|   | TPEX-Listed |      | 118  | 104  | 101  | 103  | 101  |
|   | ESM-Listed  |      | 26   | 24   | 24   | 30   | 29   |
|   | Total       |      | 239  | 194  | 253  | 264  | 261  |
| Inclusion in Financial and Trading Information Watchlist                          | TWSE-Listed |      | 114  | 114  | 98   | 98   | 79   |
|   | TPEX-Listed |      | 162  | 151  | 131  | 133  | 137  |
|   | ESM-Listed  |      | 74   | 72   | 76   | 74   | 78   |
|   | Total       |      | 350  | 337  | 305  | 305  | 294  |
| Required Regular Financial Information Disclosure                                 | TWSE-Listed |      | 105  | 90   | 84   | 79   | 72   |
|   | TPEX-Listed |      | 105  | 93   | 105  | 40   | 42   |
|   | ESM-Listed  |      | 54   | 58   | 53   | 20   | 17   |
|   | Total       |      | 264  | 241  | 242  | 139  | 131  |
| Imposing fines  | TWSE-Listed |      | 69   | 48   | 92   | 44   | 67   |
|   | TPEX-Listed |      | 42   | 18   | 14   | 17   | 31   |
|   | ESM-Listed  |      | 22   | 18   | 14   | 8    | 5    |
|   | Total       |      | 133  | 84   | 122  | 69   | 103  |
| Implementation of Trading Method Changes, Periodic Trading, or Trading Suspension | TWSE-Listed |      | 30   | 29   | 25   | 26   | 20   |
|   | TPEX-Listed |      | 83   | 78   | 75   | 65   | 52   |
|   | Total       |      | 113  | 107  | 100  | 91   | 72   |

These actions include issuing letters requesting corrective actions, placing companies on a financial and trading information disclosure watchlist, imposing penalties, altering stock trading methods, and suspending securities trading. The analysis of various disciplinary actions and trends over the past five years is explained as follows:

**a. The TWSE and TPEx issue official letters requiring TWSE/TPEx-listed companies and TPEx Emerging Stock companies to take corrective action:**

Due to deficiencies identified in TWSE-listed companies' financial reports and international systems during audits conducted by the TWSE, official letters requiring corrective actions were issued. A total of 95 letters were sent in 2020, 72 in 2021, 133 in 2022, 131 in 2023, and 131 in 2024. Among the official letters issued, the majority were related to deficiencies identified in internal control audits, with 88 cases requiring corrective actions in 2024. In the same year, there were 53 letters issued concerning financial report deficiencies.

TPEx conducted audits of financial reports and internal control systems for TPEx- and ESM-listed companies. Over the past five years, most official letters requiring corrective actions were regarding deficiencies found in internal control audits. In 2024, there were 90 letters issued related to internal control audit deficiencies, while eleven were issued concerning financial report deficiencies. The number of cases requiring corrective actions for ESM-listed companies has remained relatively stable over the past five years.

**b. TWSE/TPEx-listed companies and TPEx Emerging Stock companies regularly announce financial information and are included in the Financial and Trading Information Focus Section:**

The number of TWSE-listed companies included in the Financial and Trading Information Focus Section has declined over the past five years, presumably reflecting their recovery in operational momentum and improved financial conditions following the COVID-19 pandemic.

Over the past five years, the number of TPEx-listed companies included in the Financial and Trading Information Focus Section showed a notable increase in 2020, mainly due to the impact of the COVID-19 pandemic, which resulted in declines in revenue and profitability for many TPEx-listed companies. However, beginning in 2021, the number began to decrease as the effects of the pandemic eased and fewer companies were included in the Focus Section for poor operational and financial conditions. From 2022 to 2024, the number remained relatively stable. The number of ESM-listed companies included in the Focus Section held steady over the past five years.

From 2020 to 2022, the number of TPEX- and ESM-listed companies required to regularly disclose financial information was largely consistent. However, starting in 2023, other relevant supervisory measures were already in place for companies with poor financial ratios. In addition, companies with high debt ratios, low coverage ratios of highly liquid assets, or three consecutive years of losses were already disclosing, or had enhanced the disclosure of, monthly financial information in the Financial Information Focus Section to alert investors. As a result, TPEX no longer requires companies with high debt ratios to regularly announce their financial ratios for the previous month-end. As a result, the number of TPEX- and ESM-listed companies required to disclose financial information decreased in 2023 and 2024.

**c. Companies penalized for violating information reporting or material information disclosure requirements:**

From 2020 to 2024, TWSE-listed companies were penalized for violations of information reporting and material information disclosure requirements in 69 cases in 2020, 48 in 2021, 92 in 2022, 44 in 2023, and 67 in 2024. The total penalties imposed were NT\$2.57 million, NT\$1.54 million, NT\$6.57 million, NT\$6.92 million, and NT\$4.62 million, respectively. The average penalty per case for each year was NT\$37,000 in 2020, NT\$32,000 in 2021, NT\$71,000 in 2022, NT\$157,000 in 2023, and NT\$69,000 in 2024. In 2023, although the number of fines imposed on TWSE-listed companies decreased, the total penalty amounts increased due to the severity of the violations, most of which involved breaches of material information disclosure requirements.

Over the past five years, most fines imposed on TPEX- and ESM-listed companies were due to violations of material information disclosure requirements. For TPEX-listed companies, the number of violations was higher in 2020 and 2024, primarily due to repeated violations by certain companies and their failure to implement internal control systems. In contrast, the number of fines imposed on ESM-listed companies has declined year by year, reflecting TPEX's ongoing efforts to hold educational seminars and enhance the advisory role of managing securities firms for ESM companies.

To ensure compliance among TWSE/TPEX and ESM-listed companies, the TWSE and TPEX conduct annual educational seminars to raise awareness of information reporting and material information disclosure requirements, as well as common deficiencies. Additionally, to ensure ESM-listed companies strictly comply with relevant regulations, TPEX continues to offer information reporting training courses, which focus on regulations and common deficiencies in information reporting and material disclosures. TPEX also requires intermediary institutions to strengthen their guidance to aid ESM-listed companies in fulfilling their disclosure obligations. Furthermore, for TWSE/TPEX- and ESM-listed companies that violate regulations, the TWSE and TPEX not only disclose such violations on the Market Observation Post System (MOPS) but also notify independent directors or supervisors of companies with multiple or serious violations. This measure aims to urge corrective actions and ensure compliance with laws and regulations.

#### **d. Information on Securities Trading Changes, Split Trading, and Trading Suspension for Companies**

When TWSE/TPEx-listed companies encounter financial or operational circumstances specified in TWSE/TPEx regulations, the TWSE and TPEx have the authority to modify their securities trading methods, adopt call auction trading during specified time periods, and may further suspend the trading of their listed securities. TPEx also applies the same measures to convertible or exchangeable corporate bonds issued by TWSE/TPEx-listed companies.

For TWSE-listed companies, the number of companies subject to trading method changes, call auction trading during specified time periods, or trading suspension in 2020, 2021, 2022, 2023, and 2024 were 30, 29, 25, 26, and 20, respectively. These fluctuations over the past five years mainly reflect changes in the number of companies whose net worth fell below one-half or one-third of their stated capital, as reported in their financial reports. The number of companies with trading suspension in 2024 decreased by one compared to 2023, showing no significant overall change. For TPEx-listed companies, fluctuations over the past five years have driven adjustments in trading methods for companies with net worth below one-half of their stated capital, and changes in split trading for companies with net worth below three-tenths of their stated capital, based on financial reports. In 2024, both the number of companies with trading method changes and split trading decreased by six compared to 2023, while the number of companies with trading suspended showed little change.

The reasons securities have been subject to trading method changes, call auction trading in different time brackets, or trading suspensions over the past five years include some TWSE/TPEx-listed companies receiving audit or review reports from their certified public accountants indicating significant uncertainty about their ability to continue as a going concern, or their net worth falling below three-tenths of their stated capital as shown in financial reports, reflecting poor financial and operational performance. As these companies failed to improve over an extended period, negatively impacting the overall quality of listed companies and investor protection, the TWSE and TPEx amended relevant regulations in March 2019, granting these companies a three-year enhancement period. Companies that failed to improve within this timeframe would face suspension of their listed securities from trading. This measure aims to prompt listed companies to actively refine their financial structure and operational health, further protecting investor interests. The three-year period ended in March 2022, and some listed companies completed improvements, resulting in a yearly decrease in the number of companies subject to split trading.

**2024 Cases:**

- i. Regarding CTBC Financial Holding Co., Ltd.'s board resolutions on August 20 and August 23, 2024, approving the tender offer for Shin Kong Financial Holding Co., Ltd., the board meetings were held before 5 p.m. on business days to resolve an acquisition case with significant impact on shareholder equity or securities prices. However, CTBC Financial failed to apply for trading suspension as required by regulations. Additionally, the material information disclosed after the board meetings did not fully and accurately reveal the acquisition-related information outlined in the resolutions. As a result, the TWSE imposed a penalty of NT\$1 million and instructed the company to strictly adhere to regulations in the future.
- ii. Ting Sin Co., Ltd. failed to submit its 2023 annual report and its Q1 and Q2 2024 financial reports within the statutory deadlines, violating Article 50, Paragraph 1, Subparagraph 1 of the TWSE Operating Rules. As a result, the TWSE announced the suspension of trading of the company's securities on the centralized securities exchange market starting April 8, 2024, with a consolidated trading suspension effective from May 20, 2024. Furthermore, as the company's trading suspension period reached six months on October 8, 2024, meeting the criteria for delisting under Article 50-1, Paragraph 1, Subparagraph 7 of the same Rules, the TWSE announced the delisting of its securities effective from November 19, 2024.
- iii. DataVan International Corporation (DataVan) had previously unresolved material deficiencies in its internal control system. In 2024, the company continued to show deficiencies, including failure to thoroughly evaluate the necessity and reasonableness of major contracts plus failure to submit matters to the Audit Committee and Board of Directors according to approval authority limits. This also included unreasonable fee calculations for commissioned appraisal reports that did not comply with Article 10 of Statement of Valuation Standards No. 2. Additional problems were the absence of internal control systems governing entertainment and consulting expenses, non-compliance with payroll cycle regulations, and multiple deficiencies in internal control systems related to Japanese real estate investment projects and participation in urban renewal projects with construction companies. DataVan also failed to properly handle material information disclosures and reporting operations as required. In response, TPEx imposed a penalty totaling NT\$1.3 million and instructed the company to engage non-certifying CPAs to conduct special audits of its internal control system and implement corrective actions going forward.



## 2. Trading-Related Disciplinary Measures

When TWSE/TPEx-listed securities show abnormal price and volume movements over a period and repeatedly trigger attention announcements, preventive measures such as advance payment or delivery requirements are implemented to prevent potential significant disruptions to market trading from abnormal trading activities. These measures help to maintain market order and ensure trading safety. The analysis of such measures and trends over the past five years is as follows:

| Disciplinary Measures<br>Disciplinary Authority |      | Year<br>2020                    | 2021                            | 2022                            | 2023                            | 2024                            |
|---|------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Stocks Under Surveillance                       | TWSE | 568<br>stocks<br>4,262<br>times | 833<br>stocks<br>5,041<br>times | 478<br>stocks<br>2773<br>times  | 510<br>stocks<br>2806<br>times  | 566<br>stocks<br>3621<br>times  |
|   | TPEx | 465<br>stocks<br>3,277<br>times | 543<br>stocks<br>3,828<br>times | 472<br>stocks<br>2,522<br>times | 510<br>stocks<br>2,665<br>times | 569<br>stocks<br>3,787<br>times |
| Stocks Under Disposition Measures               | TWSE | 157<br>stocks<br>383<br>times   | 336<br>stocks<br>239 times      | 72<br>stocks<br>114<br>times    | 68 stocks<br>111 times          | 119<br>stocks<br>176<br>times   |
|   | TPEx | 205<br>stocks<br>404<br>times   | 195<br>stocks<br>379 times      | 90<br>stocks<br>130<br>times    | 125<br>stocks<br>221 times      | 183<br>stocks<br>337<br>times   |

### Brief Analysis:

In recent years, due to the Taiwan Weighted Index repeatedly reaching record highs and trading volumes significantly increasing, abnormal fluctuations in securities prices and volumes have occurred. This has led to a rise in both the number and frequency of securities placed under surveillance or subject to special handling measures. As the Taiwan Weighted Index reached new highs again and trading volumes became even stronger in 2024, the number and frequency of securities placed under surveillance or subject to special handling measures also increased compared to the past two years.

Looking at the TPEx stock index at year-end and the annual trading value over the past five years: in 2020, the index stood at 184.10 points with a trading value of NT\$12.08 trillion; in 2021, 237.55 points and NT\$20.27 trillion; in 2022, 180.34 points and NT\$14.87 trillion; in 2023, 234.01 points and NT\$16.84 trillion; and in 2024, 255.84 points and NT\$23.25 trillion. These figures indicate that when market prices and volumes both rise and activity increases, the number and frequency of stocks placed under surveillance or subject to special handling tend to increase, and vice versa.

### 3. Disciplinary Measures for Intermediary Institutions

#### a. Disciplinary Measures for Securities Firms:

To maintain order in the securities market and protect investor interests, when securities firms violate relevant regulations, the TWSE and TPEX may, depending on the severity of the violation, issue letters requiring corrective action, impose penalties or fines, suspend all or part of the securities firm's proprietary trading, brokerage operations, or business premises for up to three months, and issue warnings or temporary business suspension to responsible personnel.

**An analysis of how securities firms' trading deficiencies have been addressed, along with disciplinary measures and trends over the past five years, is explained as follows:**

| Types of Violations  | Disciplinary Measures    | Disciplinary Authority | 2020                        | 2021                        | 2022                      | 2023                        | 2024                      |
|--|--------------------------|------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Violations of reporting and handling procedure regulations | Corrective action letter | TWSE                   | 5 cases                     | 12 cases                    | 5 cases                   | 6 cases                     | 6 cases                   |
|  |                          | TPEX                   | 41 cases                    | 42 cases                    | 26 cases                  | 19 cases                    | 36 cases                  |
|  | Imposed negligence fine  | TWSE                   | 2 cases (total NT\$60,000)  | 2 cases (total NT\$60,000)  | 1 case (total NT\$30,000) | 0 cases (NT\$0)             | 0 cases (NT\$0)           |
|  |                          | TPEX                   | 0                           | 1 case (total NT\$30,000)   | 0                         | 0                           | 1 case (total NT\$40,000) |
| Violation of internal control regulations                  | Corrective action letter | TWSE                   | 9 cases                     | 4 cases                     | 10 cases                  | 6 cases                     | 3 cases                   |
|  |                          | TPEX                   | 3 cases                     | 3 cases                     | 1 case                    | 1 case                      | 1 case                    |
| Violation of clearing and settlement regulations           | Imposed negligence fine  | TWSE                   | 0                           | 0                           | 0                         | 0                           | NT\$40,000                |
|  |                          | TPEX                   | 0                           | 0                           | 0                         | 0                           | 0                         |
|  | Trading suspension       | TWSE                   | 0 cases                     | 0 cases                     | 0                         | 0 cases                     | 0 cases                   |
|  |                          | TPEX                   | 0 cases                     | 0 cases                     | 0 cases                   | 0 cases                     | 0 cases                   |
| Violation of Emerging Stock Market regulations             | Corrective action letter | TPEX                   | 8 cases                     | 14 cases                    | 1 case                    | 4 cases                     | 3 cases                   |
|  | Imposed fines            |                        | 2 cases (total NT\$130,000) | 3 cases (total NT\$260,000) | 1 case (total NT\$80,000) | 4 cases (total NT\$320,000) | 0 cases (total NT\$0)     |

From 2020 to 2024, TWSE's disciplinary cases against securities firms' trading violations were primarily related to reporting and handling procedure regulations and violations of internal control regulations, with 34 cases and 32 cases respectively, while violations of clearing and settlement regulations accounted for one case only.

Trading-related deficiencies addressed in 2023 and 2024: In both years, securities firms received six notices that required corrective actions for violations of reporting and handling procedure regulations, for which no fines were imposed. These cases primarily involved firms failing to complete trading category adjustments within the required timeframe. Additionally, the number of cases involving violations of internal control regulations that resulted in improvement notices decreased by three compared to 2023. These cases mainly stemmed from deficiencies such as insiders participating in securities borrowing and firms exceeding lending limits in their securities lending business. The TWSE will continue to raise awareness and remind securities firms of relevant reporting deadlines. Regarding violations of clearing and settlement regulations, one case resulted in a penalty. This was due to the settlement bank's unfamiliarity with handling large settlement amounts and limited experience in communication, which led to a delay in posting due settlement payments. As a result, the securities firm was fined. The firm has been reminded to enhance internal training and improve their transaction procedures with settlement banks to prevent similar incidents in the future.

In 2024, the main types of TPEx's disciplinary cases involving violations of Emerging Stock Market regulations were primarily related to securities firms breaching fundamental market-making principles and failing to continuously provide reasonable quotes based on professional judgment, totaling three cases. The number of securities firm violations of Emerging Stock Market regulations decreased in 2024 compared to 2023. TPEx will continue to remind securities firms to comply with relevant Emerging Stock Market regulations.

#### 2024 Cases:

- i. On May 13, 2024, MasterLink Securities Corp. failed to fulfill its settlement obligations by the regulatory deadline of 11:00 AM, only completing the payment at 11:25 AM. This violated Article 104, Paragraph 5, Subparagraph 2 of the Operating Rules of the Taiwan Stock Exchange Corporation and Article 6, Paragraph 4 of the TPEx Guidelines for Securities Settlement Operations. In accordance with Article 137, Paragraph 3 of the Operating Rules of the Taiwan Stock Exchange Corporation and Article 94-1, Paragraph 1 of the TPEx Rules Governing Securities Trading on the TPEx, both TWSE and TPEx imposed a penalty of NT\$40,000 each on MasterLink Securities Corp.
- ii. On May 19, 2023, Shin Kong International Securities violated Article 39, Paragraph 2 of the Operating Rules for Securities Lending by Securities Firms in the course of conducting securities lending business for Ennoconn Corporation (stock code: 6414). The TWSE issued a notice requesting corrective actions.

- iii. On November 27, 2023, President Securities Corporation and Xinying Branch experienced information system abnormalities that caused irregular transaction reporting and delayed updates in trading categories. This violated Article 2 of TPEX's Directions for Securities Firms Handling Changes to Trading Category. TPEX issued a notice requesting corrective actions.
- iv. On March 14, 2024, KGI Securities Taipei Branch experienced delayed changes in trading categories, which violated Article 2 of TPEX's Directions for Securities Firms Handling Changes to Trading Category. TPEX issued a notice requesting corrective actions.
- v. On February 27, 2024, Fubon Securities' Sanchong Branch had an incident involving insider share lending. Investigation revealed the issue resulted from operational staff negligence, violating Article 41 of the Operating Rules for Securities Lending by Securities Firms. TPEX issued a notice requesting corrective actions.

**The following provides an overview and trend analysis of how financial and operational deficiencies of securities firms have been addressed over the past five years:**

| Types of Violations  | Disciplinary Measures  | Disciplinary Authority | 2020     | 2021     | 2022     | 2023     | 2024     |
|--|--|------------------------|----------|----------|----------|----------|----------|
| Violation of regulations related to brokerage trading                        | Issue warning to company for corrective actions                  | TWSE                   | 25 cases | 40 cases | 15 cases | 37 cases | 50 cases |
|  |  | TPEX                   | 8 cases  | 8 cases  | 8 cases  | 7 cases  | 17 cases |
|  | Issue warning to company for corrective actions and impose fines | TWSE                   | 4 cases  | 6 cases  | 1 case   | 1 case   | 14 cases |
|  |  | TPEX                   | 3 cases  | 2 cases  | 2 cases  | 1 case   | 2 cases  |
| Violation of regulations related to recommendations and lending              | Issue warning to company for corrective actions                  | TWSE                   | 8 cases  | 8 cases  | 17 cases | 7 cases  | 13 cases |
|  |  | TPEX                   | 2 cases  | 2 cases  | 0 cases  | 7 cases  | 0 cases  |
|  | Issue warning to company for corrective actions and impose fines | TWSE                   | 0 cases  | 0 cases  | 0 cases  | 0 cases  | 0 cases  |
|  |  | TPEX                   | 0 cases  | 0 cases  | 1 case   | 0 cases  | 0 cases  |
| Violation of regulations related to accounting errors or payment settlements | Issue warning to company for corrective actions                  | TWSE                   | 9 cases  | 8 cases  | 2 cases  | 9 cases  | 9 cases  |
|  |  | TPEX                   | 0 cases  | 2 cases  | 1 case   | 0 cases  | 3 cases  |
|  | Issue warning to company for corrective actions and impose fines | TWSE                   | 0 cases  | 1 case   | 1 case   | 0 cases  | 0 cases  |
|  |  | TPEX                   | 0 cases  | 0 cases  | 0 cases  | 0 cases  | 1 case   |
| Violation of regulations related to account opening deficiencies             | Issue warning to company for corrective actions                  | TWSE                   | 3 cases  | 6 cases  | 5 cases  | 14 cases | 13 cases |
|  |  | TPEX                   | 2 cases  | 0 cases  | 0 cases  | 0 cases  | 2 cases  |
|  | Issue warning to company for corrective actions and impose fines | TWSE                   | 0 cases  | 0 cases  | 0 cases  | 0 cases  | 1 case   |
|  |  | TPEX                   | 1 case   | 0 cases  | 0 cases  | 0 cases  | 0 cases  |

| Types of Violations   | Disciplinary Measures  | Disciplinary Authority | 2020     | 2021     | 2022     | 2023     | 2024     |
|---|--|------------------------|----------|----------|----------|----------|----------|
| Violation of regulations related to margin trading  | Issue warning to company for corrective actions                  | TWSE                   | 2 cases  | 1 case   | 4 cases  | 0 cases  | 0 cases  |
|   |  | TPEX                   | 0 cases  | 2 cases  | 2 cases  | 0 cases  | 0 cases  |
|   | Issue warning to company for corrective actions and impose fines | TWSE                   | 0 cases  | 0 cases  | 0 cases  | 0 cases  | 0 cases  |
|   |  | TPEX                   | 0 cases  | 0 cases  | 0 cases  | 0 cases  | 0 cases  |
| Violation of regulations related to anti-money laundering and countering the financing of terrorism             | Issue warning to company for corrective actions                  | TWSE                   | 4 cases  | 1 case   | 9 cases  | 1 case   | 0 cases  |
|   |  | TPEX                   | 4 cases  | 1 case   | 1 case   | 1 case   | 2 cases  |
|   | Issue warning to company for corrective actions and impose fines | TWSE                   | 0 cases  | 0 cases  | 0 cases  | 0 cases  | 0 cases  |
|   |  | TPEX                   | 0 cases  | 0 cases  | 0 cases  | 0 cases  | 0 cases  |
| Violation of regulations related to information security operations (Note 1)                                    | Issue warning to company for corrective actions                  | TWSE                   | 7 cases  | 30 cases | 10 cases | 47 cases | 34 cases |
|   |  | TPEX                   | 13 cases | 8 cases  | 14 cases | 16 cases | 13 cases |
|   | Issue warning to company for corrective actions and impose fines | TWSE                   | 7 cases  | 5 cases  | 7 cases  | 3 cases  | 3 cases  |
|   |  | TPEX                   | 1 case   | 0 cases  | 0 cases  | 0 cases  | 0 cases  |
| Violations of regulations related to derivative financial products or other business operations (Notes 2 and 3) | Issue warning to company for corrective actions                  | TWSE                   | 2 cases  | 0 cases  | 1 case   | 8 cases  | 5 cases  |
|   |  | TPEX                   | 9 cases  | 3 cases  | 8 cases  | 6 cases  | 11 cases |
|   | Issue warning to company for corrective actions and impose fines | TWSE                   | 0 cases  | 0 cases  | 0 cases  | 0 cases  | 0 cases  |
|   |  | TPEX                   | 1 case   | 1 case   | 0 cases  | 1 case   | 2 cases  |

Note 1: Including deficiencies in co-location services.

Note 2: Including deficiencies in securities firms' proprietary trading and bond business operations.

Note 3: The number of cases requiring corrective actions from companies in 2020 and 2021 each included one case involving deficiencies in leverage transaction merchants' operations of leveraged margin contract trading. For details on disciplinary actions over the past five years, please refer to (II) Disciplinary Actions Against Futures Commission Merchants (Leverage Transaction Merchants).



With increased trading volume in the capital market in 2024, deficiencies related to securities firms' employees' brokerage trading and promotional activities rose compared to 2023. Moreover, in recent years, electronic trading has accounted for approximately 75% of overall market transaction value. In response to the rapid advancement of global emerging technologies and in order to strengthen securities firms' defenses against evolving risks and threats in the modern network environment, the 2024 cybersecurity inspection and guidance operations for securities firms expanded the inspection scope. This included an increased number of inspection targets and the inclusion of sub-brokerage activities within the inspection scope, as directed by the competent authority. Even though the scope and depth of the 2024 inspection operations expanded, the number of operational deficiencies identified in securities firms decreased compared to the previous year. Meanwhile, the number of securities firms fined for violations remained at three. This demonstrates that the four major guidelines established by the TWSE and TPEx in recent years enhancing technology, cultivating talent, improving regulations, and strengthening supervision, have shown effectiveness in strengthening the market's resilience and overall security capabilities.

The number of enforcement cases by TPEx against securities firms in 2024 increased by thirteen cases compared to 2023 (excluding leverage transaction merchants), mainly due to abnormal day-trading short positions and subsequent securities borrowing in Yuanta China Technology Top 20 ETF Fund (security code: 00887) in October 2024. Following TPEx's inspection, seven cases were found to have violated the Regulations Governing Day Trading of Securities (classified as Brokerage Trading in enforcement reports), while three cases violated TPEx's Rules Governing Trading of ETFs and Active ETF Beneficial Certificates (classified as Others in enforcement reports). TPEx has notified securities firms to reaffirm compliance with relevant regulations.

#### 2024 Cases:

- i. Due to operational deficiencies, Tai-○ Securities was found to be in violation of the Operating Rules of the Taiwan Stock Exchange Corporation, the Internal Control System Standards for Securities Firms, and its own internal control system regulations. This included: (1) failure to perform vulnerability scanning on the employee stock options' website; (2) lack of monitoring, analysis, and recordkeeping for abnormal and unidentified IP connections; (3) absence of proper network segment segregation mechanisms; (4) use of shared accounts for operating system monitoring; (5) failure to include high-privilege accounts in control mechanisms; and (6) inadequate detection of webpage and program changes in externally connected systems. In response, the TWSE imposed a penalty of NT\$400,000, issued a warning to the firm's Chief Information Officer, and requested the implementation of corrective actions.

- ii. In October 2024, regarding the abnormal day-trading short positions and subsequent securities borrowing in Yuanta China Technology Top 20 ETF Fund (security code: 00887), a TPEX investigation revealed that certain securities firms failed to properly verify the source of securities when accepting day-trading short-sale orders, in violation of Article 7, Paragraph 1 of the Regulations Governing Day Trading of Securities. Additionally, some firms were found to have sold their primary market subscription positions prematurely, in violation of Article 13, Paragraph 5 of TPEX's Rules Governing Trading of ETFs and Active ETF Beneficial Certificates. Based on the severity of these violations, TPEX requested corrective actions or imposed a penalty of NT\$30,000 on the following firms: Taiwan Cooperative Securities, President Securities, MasterLink Securities, Mega Securities, Concord Securities, Capital Securities Corp., KGI Securities, Yuanta Securities, and SinoPac Securities.

**b. Disciplinary Measures Against Futures Commission Merchants (Leverage Transaction Merchants)**

Leveraged transactions, including leveraged margin contract trading, are conducted alongside a futures proprietary trading business at the firm's business premises. To maintain order in the TPEX futures market and protect investor interests, TPEX may, in accordance with the Taipei Exchange Rules Governing the Operation of Leverage Contract Trading Business by Leverage Transaction Merchants, take actions when violations occur. Depending on the severity of violations, measures may include issuing requests for corrective actions within a specified period or reporting the case to the competent authority for suspension or termination of the merchant's leverage contract trading business. Personnel who violate regulations may be issued warnings or suspended from business operations for one to six months.

**TPEX's Disciplinary Measures Against Leverage Transaction Merchants' Operational Deficiencies:**

| Type of Violations                           | 2020  | 2021    | 2022    | 2023    | 2024    | 2024年   |
|--|---|---------|---------|---------|---------|---------|
| Operating Leverage Contract Trading Business | Issue warning for corrective actions                      | 1 case  | 1 case  | 7 cases | 1 case  | 1 case  |
|  | Issue warning for corrective actions and impose penalties | 0 cases | 0 cases | 2 cases | 0 cases | 0 cases |

**Five-Year Trends and Major Case Descriptions:**

i. Brief Analysis of Five-Year Trends:

The increase in deficiency cases in 2022 was primarily due to a higher number of reported cases. To strengthen oversight, TPEX revised its inspection items and examination manuals based on the deficiencies identified. Since 2023, the number of deficiencies among Leverage Transaction Merchants is on a downward trend.

ii. 2024 Cases:

Abnormalities identified in KGI Futures' leverage trading system included quote line disconnection, network connection anomalies, irregularities in the quote program, and quote delays caused by line congestion. However, the Leverage Transaction Merchants failed to report these incidents through the Securities and Futures Market Information Security Reporting System, thereby violating the Guidelines for Securities and Futures Market Information Security Incident Reporting and Response Operations. Consequently, TPEx issued a notice for corrective actions to the Leverage Transaction Merchants.

**C. Disciplinary Measures for Futures Commission Merchants**

In the case of a violation of relevant regulations by an FCM, TAIEX may issue letters requiring the FCM to take corrective actions within a specified period, based on the severity of the violation, to maintain an orderly futures market and protect traders' interests. For personnel found in violation, warnings may be issued, or their business operations may be suspended for one to six months.

**TAIEX Issues Letters Requiring Futures Commission Merchants to Take Corrective Actions:**

| Type of Violation\ Year                                 | 2020     | 2021    | 2022     | 2023    | 2024     |
|---|----------|---------|----------|---------|----------|
| Information System Control                              | 0 cases  | 3 cases | 11 cases | 6 cases | 7 cases  |
| AML Inspection  | 1 case   | 5 cases | 6 cases  | 0 cases | 0 cases  |
| Account opening, credit check, and qualification review | 1 case   | 1 case  | 0 cases  | 0 cases | 1 case   |
| Others  | 16 cases | 7 cases | 10 cases | 7 cases | 13 cases |

**Brief Analysis:**

In the case of a violation of the Operating Rules of the Taiwan Futures Exchange Corporation (the TAIEX Operating Rules) by an FCM, TAIEX may issue letters requiring the FCM to take corrective actions within a specified period in accordance with Articles 125, 126, or 127 of the TAIEX Operating Rules.

**Penalties imposed on FCMs by TAIEX:**

| Type of Violation\ Year                                 | 2020     | 2021    | 2022    | 2023    | 2024     |
|---|----------|---------|---------|---------|----------|
| Calls and substituted off-set operations                | 10 cases | 3 cases | 0 cases | 1 case  | 2 cases  |
| Account opening, credit check, and qualification review | 5 cases  | 0 cases | 0 cases | 0 cases | 0 cases  |
| Internal audit and financial operations                 | 4 cases  | 2 cases | 4 cases | 1 case  | 1 case   |
| Others  | 10 cases | 7 cases | 6 cases | 5 cases | 14 cases |

**Brief Analysis:**

In accordance with Articles 125, 126, and 127 of the TAIEX Operating Rules, fines may be imposed by TAIEX on futures commission merchants (FCMs) for violations of these rules.

**Five-Year Trends and Major Case Descriptions:****i. Brief Analysis of Five-Year Trends:**

TAIEX issued 18 letters to FCMs requiring corrective actions in 2020, 16 in 2021, 27 in 2022, 13 in 2023, and 21 in 2024. As for penalties imposed on FCMs, there were 29 cases in 2020, 12 in 2021, 10 in 2022, 7 in 2023, and 17 in 2024. Based on the data, the average number of letters requesting corrective actions was 20 during 2020-2022, and 17 during 2023-2024. For fines imposed on FCMs, the average was 17 cases during 2020-2022, and 12 cases during 2023-2024. Overall, both the number of corrective action letters and penalty cases have declined over the past two years, reflecting the effectiveness of TAIEX's internal control and enforcement measures.

**ii. Major Cases in 2024:**

On August 5, 2024, SinoPac Futures detected abnormalities during electronic platform logins and account inquiries, resulting in violation of the TAIEX Operating Rules. A penalty of NT\$90,000 was imposed by TAIEX.

## Appendix III

### Statistics on Administrative Sanctions Imposed by the Securities and Futures Bureau from 2020 to 2024

• **Table 1** Administrative Sanctions Imposed by the Securities and Futures Bureau from 2020 to 2024

Unit: Number of Cases

| Type of Violation |  | Violated Articles  | Year |      |      |      |      | Total |
|-------------------|--|--|------|------|------|------|------|-------|
|                   |  |  | 2020 | 2021 | 2022 | 2023 | 2024 |       |
| A1                | Acquisition or Disposal of Assets  | Article 36-1 of the Securities and Exchange Act  | 2    | 2    | 5    | 4    | 3    | 16    |
| A2                | Material Information   | Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act   | 1    | 3    | 6    | 2    | 0    | 12    |
| A3                | Appointment of Independent Directors and Rules Governing Board of Directors Meetings | Article 14-2 Paragraphs 1 & 6 (formerly paragraph 5 prior to the amendment and promulgation on April 25, 2018), Article 14-3, and Article 26-3 Paragraphs 7 & 8 of the Securities and Exchange Act | 1    | 8    | 7    | 3    | 5    | 24    |
| B1                | Securities Firm Internal Control   | Articles 65, 66 & 178-1 of the Securities and Exchange Act   | 26   | 63   | 53   | 66   | 75   | 283   |
| B2                | Securities Brokerage Business  | Article 23 of the Personal Data Protection Act   | 0    | 0    | 0    | 0    | 0    | 0     |
| B3                | Securities Firm Personnel  | Articles 56, 178-1 & 179 of the Securities and Exchange Act  | 13   | 9    | 5    | 21   | 24   | 72    |
| B4                | Money Laundering Control Act   | Article 8, Paragraph 5 of the Money Laundering Control Act (formerly Article 7, Paragraph 5 prior to the amendment and promulgation on July 31, 2024)  | 3    | 2    | 0    | 4    | 9    | 18    |
| C1                | Insider Share Ownership Reporting  | Articles 22-2 & 25 of the Securities and Exchange Act  | 143  | 156  | 122  | 117  | 131  | 669   |
| C2                | Large Volume Share Acquisition   | Article 43-1, Paragraph 1 of the Securities and Exchange Act   | 7    | 3    | 3    | 3    | 2    | 18    |
| C3                | Tender Offer   | Article 43-1, Paragraph 4 and Article 43-3 of the Securities and Exchange Act  | 2    | 0    | 0    | 0    | 0    | 2     |
| C4                | Treasury Stock Repurchase  | Article 28-2 of the Securities and Exchange Act  | 14   | 3    | 2    | 2    | 2    | 23    |
| C5                | Proxy for Shareholders' Meeting  | Article 25-1 of the Securities and Exchange Act  | 0    | 5    | 2    | 2    | 0    | 9     |
| D1                | Internal Controls for Securities Investment Trust and Consulting                     | Article 7 and Article 93 of the Securities Investment Trust and Consulting Act   | 27   | 15   | 9    | 15   | 24   | 90    |

| Type of Violation |   | Violated Articles  | Year |      |      |      |      | Total |
|-------------------|---|--|------|------|------|------|------|-------|
|                   |   |  | 2020 | 2021 | 2022 | 2023 | 2024 |       |
| D2                | Securities Investment Trust Business  | Article 17 of the Securities Investment Trust and Consulting Act                                 | 0    | 4    | 1    | 1    | 3    | 9     |
| D3                | Securities Investment Consulting Business   | Article 4 and Article 70 of the Securities Investment Trust and Consulting Act                   | 4    | 1    | 2    | 9    | 7    | 23    |
| D4                | Securities Investment Trust and Consulting Personnel  | Article 69 of the Securities Investment Trust and Consulting Act                                 | 7    | 11   | 6    | 4    | 10   | 38    |
| D5                | Offshore Funds  | Article 16 of the Securities Investment Trust and Consulting Act                                 | 0    | 0    | 0    | 0    | 1    | 1     |
| D6                | Financial Information Disclosure of Securities Investment Trust and Consulting Enterprises  | Article 99 of the Securities Investment Trust and Consulting Act                                 | 1    | 0    | 0    | 0    | 0    | 1     |
| D7                | Financial and Business Inspection of Securities Investment Trust and Consulting Enterprises | Article 101 of the Securities Investment Trust and Consulting Act                                | 0    | 1    | 0    | 0    | 0    | 1     |
| E1                | Lending of Funds or Making Endorsements/Guarantees  | Article 36-1 of the Securities and Exchange Act  | 9    | 2    | 2    | 2    | 1    | 16    |
| E2                | Financial Reports   | Article 36, Paragraph 1, Subparagraphs 1 & 2, and Paragraph 2 of the Securities and Exchange Act | 26   | 24   | 25   | 30   | 22   | 127   |



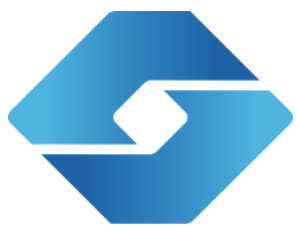
| Type of Violation |   | Violated Articles   | Year |      |      |      |      | Total |
|-------------------|---|---|------|------|------|------|------|-------|
|                   |   |   | 2020 | 2021 | 2022 | 2023 | 2024 |       |
| E3                | Chief Accounting Officer  | Article 14, Paragraph 3 of the Securities and Exchange Act  | 6    | 2    | 3    | 1    | 3    | 15    |
| E4                | CPAs  | Articles 11, 41, 61, 62, 68, 70 & 71 of the Certified Public Accountant Act and Article 37 of the Securities and Exchange Act | 18   | 4    | 10   | 3    | 9    | 44    |
| E5                | Operating Status Report   | Article 36, Paragraph 1, Subparagraph 3 of the Securities and Exchange Act  | 3    | 4    | 3    | 2    | 5    | 17    |
| E6                | Internal Control System   | Article 14-1, Paragraphs 2 & 3 of the Securities and Exchange Act   | 0    | 2    | 3    | 2    | 2    | 9     |
| F1                | Futures Commission Merchants and Leverage Transaction Merchants | Articles 56 & 80 of the Futures Trading Act   | 20   | 24   | 8    | 7    | 15   | 74    |
| F2                | Futures Service Enterprises                                     | Articles 82 & 85 of the Futures Trading Act   | 4    | 7    | 2    | 1    | 2    | 16    |
| F3                | Futures Industry Personnel                                      | Articles 61, 80 & 82 of the Futures Trading Act   | 8    | 8    | 2    | 4    | 4    | 26    |
| -                 | Others  |   | 6    | 4    | 6    | 6    | 16   | 38    |
| Total             |   |   | 351  | 367  | 287  | 311  | 375  | 1,691 |

• **Table 2:** Subject and Type of Administrative Sanctions Imposed by the SFB in 2024

Unit: Number of Cases

|   | Penalty    | Correction | Suspension of Business | Dismissal | Corrective Action within Deadline | Warning  | Penalty & Correction | Penalty & Warning | Total      |
|---|------------|------------|------------------------|-----------|-----------------------------------|----------|----------------------|-------------------|------------|
| Insiders  | 130        | -          | -                      | -         | -                                 | -        | -                    | -                 | 130        |
| Public Companies  | 46         | -          | -                      | -         | -                                 | -        | -                    | -                 | 46         |
| CPAs  | 10         | -          | 3                      | -         | -                                 | -        | -                    | -                 | 13         |
| VASP  | 5          |            |                        |           | 4                                 |          |                      |                   | 9          |
| Intermediaries  | 46         | 74         | -                      | -         | -                                 | 1        | 13                   | 2                 | 136        |
| Responsible Persons and Practitioners of Intermediaries | 1          | -          | 29                     | 2         | -                                 | -        | -                    | -                 | 32         |
| Others  | 2          | -          | -                      | -         | -                                 | -        | -                    | -                 | 2          |
| <b>Total</b>  | <b>240</b> | <b>74</b>  | <b>32</b>              | <b>2</b>  | <b>4</b>                          | <b>1</b> | <b>13</b>            | <b>2</b>          | <b>368</b> |

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