

# 2023

# 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



**2023**

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# Introduction

# 2023

- Law Enforcement Policies and Approaches of the Securities and Futures Markets Sectors in Taiwan

- Law Enforcement Framework of the Securities and Futures Markets in Taiwan

- Supervisory Focus of the Securities and Futures Markets in Taiwan in 2023



The Financial Supervisory Commission (the FSC) established the Securities and Futures Bureau (the SFB) to handle the supervision, management, policy and regulation formulation, planning and implementation of the securities plus futures market, with the objective of developing the national economy, safeguarding the interests of securities investors and futures traders, maintaining the order of securities and futures market transactions, and promoting the healthy development of Taiwan's securities and futures market.

If public companies and their responsible persons, insiders, intermediaries and their responsible persons, business personnel, along with investors and other market participants and related parties violate the "Securities and Exchange Act" (the SEA), "Futures Trading Act" (the FTA), "Securities Investment Trust and Consulting Act" (SITCA) and relevant laws plus regulations, the SFB will actively take enforcement actions to maintain the market order and protect investor interests.

In the face of recent global economic challenges, including inflationary pressures, climate-related risks, and geopolitical instability, the FSC has intensified its efforts to enhance the innovation, resilience, and sustainability of Taiwan's capital markets. Building upon the existing Capital Market Roadmap, the FSC has engaged in active collaboration with peripheral organizations to address evolving market conditions and emerging challenges. Notably, Taiwan's capital market has demonstrated remarkable resilience amid global turbulence, exhibiting steady progress and increased robustness. Looking ahead, the FSC will continue to promote the development of the capital market, with five endeavors: (i) sustainable development and alignment with international standards; (ii) innovation and entrepreneurship, assisting in fundraising; (iii) financial technology and industrial upgrading; (iv) inclusive finance and digitalized services; (v) foreign investor friendliness and increasing trading volume. In addition, the FSC will also enhance the investor protection mechanism, allowing more people to share in the economic growth. To achieve a more fair, innovative, open, diverse, and international capital market for all market participants, the FSC will continue to improve Taiwan's capital market system and talent development, stimulate the momentum of the capital market, strengthen market resilience and international competitiveness. The relevant promotion strategies and guidelines for 2023 are detailed as follows.

## 1. Continue to Advocate the "Capital Market Roadmap"

To promote the development of the capital market, the FSC previously released the "Capital Market Roadmap" on December 8, 2020, which set out five major strategies, 25 key points, and 84 specific measures to be promoted sequentially over three years, with the cooperation of the FSC, TWSE, TPEX, TDCC, TAIFEX, Securities and Futures Institute (the SFI), Securities and Futures Investors Protection Center (the SFIPC) and the three relevant associations of securities and futures. Important contents in 2023 include: Optimizing the "Taiwan Innovation Board," integrating the "Emerging Stock Market," promoting the Onshore Fund Centralized Settlement platform, and establishing a new TPEX-listed ETF dual-currency trading mechanism, and et cetera.

The Capital Market Roadmap outlines a number of important issues, such as promoting financial innovation and the creation of diversified financial products, boosting market functions, stimulating the trading market, raising the market's profile internationally, and improving market functions and competitiveness of financial intermediaries. The aforementioned objectives are designed to boost the capital market and were carried out according

to a planned schedule, with completion by the end of 2023. This initiative should serve as a cornerstone for ongoing collaboration with peripheral organizations to implement diverse measures aimed at enhancing Taiwan's capital market infrastructure and talent development. The effort is directed towards fostering a capital market that features fairness, innovation, openness, diversity, and international integration, accessible to all market participants. These endeavors are designed to bolster the resilience and global competitiveness of Taiwan's capital market ecosystem.

## **2. Continue to Promote “Corporate Governance 3.0—Sustainable Development Roadmap” and Release “Green Finance Action Plan 3.0”**

On August 25, 2020, the “Corporate Governance 3.0—Sustainable Development Roadmap” was promulgated, underscoring the continued emphasis on corporate governance for TWSE/TPEX listed companies. This comprehensive framework, slated for implementation from 2021 to 2023, comprises five principal pillars encompassing 39 specific measures. The FSC's aim is to effectuate these objectives within three years through the following strategic approaches: enhancing board functionality, augmenting information transparency, encouraging stakeholder engagement, promoting stewardship practices, and cultivating a robust corporate sustainable governance culture. This initiative represents a concerted effort to elevate governance standards and sustainable practices within Taiwan's capital markets. Key initiatives implemented in 2023 include: Amendments requiring independent directors to constitute at least one-third of board seats from 2024, applicable to (i) companies applying for initial TWSE/TPEX listing, (ii) listed companies with paid-in capital of NT\$10 billion or more, and (iii) listed companies in banking and insurance sectors upon board reappointment. For TWSE/TPEX listed companies, regulations stipulate that (i) more than half of independent directors may not serve for more than three consecutive terms, and (ii) internal performance evaluations of functional committees must be conducted. To enhance director nomination mechanisms and audit committee functions in listed companies, regulations mandate (i) establishment of nomination committees, (ii) audit committee approval of quarterly financial statements to be included in Corporate Governance Evaluation (the CGE), and (iii) appointment of corporate governance officers.

Furthermore, on September 26, 2022, the FSC issued the “Green Finance Action Plan 3.0” with the vision of “integrating financial resources to support net zero transformation” with a total of 26 specific actions to be pushed through three core strategies and five promotion aspects. The goal is to build consensus in the financial industry, propose and develop guidelines and information commonly required by the financial industry, promote the financial industry's understanding of itself and investment and financing bodies GHG emissions to enable the financial industry to actively respond to and grasp climate-related risks and opportunities. These actions are for the continued promotion of the financial industry's support for sustainable development and guidance. Important accomplishments in 2023 include the TWSE completing the development of the ESG InfoHub, conducting the first sustainable finance evaluation, strengthening sustainable finance-related training for directors, senior executives, and general staff in financial sectors, et cetera. As of the end of 2023, Green bonds, Sustainable Development Bonds (SDBs), Social Responsibility Bonds (SRBs) and Sustainability-Linked Bonds (SLBs) have been issued in 120, 38, 22 and five tranches, respectively, with a total issuance amount of NT\$357.4 billion, NT\$112.0 billion,

NT\$54.6 billion and NT\$7.9 billion, respectively. This shows the corporate capital has been effectively led towards ESG aspects.

A look to domestic securities and futures market enforcement policies/methods, enforcement structure, and supervisory focuses in 2023 are detailed below.

A

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

Effective enforcement ensures not only compliance with the SEA and relevant regulations by securities and futures market participants, but also serves as a key bridge to maintain market order and to protect investor interests.

In order to balance the efficacy of enforcement actions with the protection of subjects' interests, Taiwan implements the following enforcement measures in accordance with established policies and methods:

- a. It should take enforcement actions based on relevant laws and regulations; it also needs to consider the four following factors from specific violations of individual cases: (i) risks and materiality; (ii) the degree of blame; (iii) the causing impact; and, (iv) the benefits obtained from the relevant violations.
- b. The subjects of enforcement include public listed companies and their responsible persons, managers, insiders, as well as intermediaries and their responsible persons, business personnel, investors and other market participants.
- c. Adopt strict supervision of intermediaries. In addition to regular general inspections, specific project inspections are also strengthened for certain businesses or items in order to detect problems early, correct deficiencies on time, and foster a sound operation of intermediaries.
- d. Enforcement actions include conducting relevant administrative investigations and dispositions, such as corrections, administrative fines, warnings, termination of business operation, discharge of duties, and revocation of business licenses. If a subject of enforcement is involved in criminal illegal activities, it will be reported to the Ministry of Justice Investigation Bureau (the MJIB) or the District Prosecutors Office for either criminal investigation or prosecution in accordance with the mandated authority.
- e. Before enforcement, any such subject should be given a fair opportunity to state their case and a timeframe to improve in accordance with relevant laws and regulations.
- f. Disclose relevant enforcement information to improve the understanding of relevant laws and regulations by market participants as well as deter future illegal cases.

## Law Enforcement Framework of the Securities and Futures Markets in Taiwan

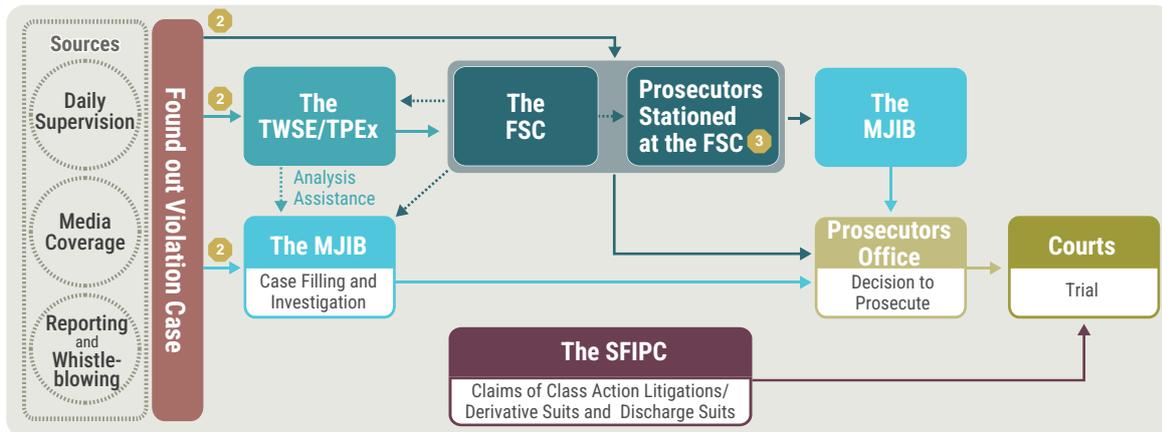
The SFB is the primary authority responsible for inspecting and enforcing laws in Taiwan's securities and futures markets. It collaborates with peripheral organizations to supervise and enforce the issuance, trading, and intermediates of such transactional markets, as described below:

### 1. Supervision and Law Enforcement of the Issuance Market and Trading Activities in the Securities and Futures Markets

In compliance with the SEA, FTA, and relevant laws and regulations, the SFB oversees the TWSE, TPEX, and Taiwan Futures Exchange (TAIFEX) in enacting and implementing pertinent regulations, and takes appropriate action whenever violations occur.

- a. **Supervision of the Issuance Market:** The TWSE and TPEX may supervise the finances and business of TWSE/TPEX-listed companies and TPEX Emerging Stock Companies, including periodic document review or on-site inspection of financial statements and internal controls, event-driven examination for special cases, periodic or non-periodic audits of information filling and material information.
- b. **Supervision of Trading Market:**
  - i. **Securities Market Surveillance:** The TWSE and TPEX implement systematic and ongoing supervision on the securities trading activities in accordance with the "Rules Governing Implementation of the Stock Market Surveillance System." Related measures are taken in case of an abnormal trading volume or value, including announcement of attention securities, extension of transaction matching time, advance collection of buy-side payment or sell-side securities, and suspension or termination of margin purchases plus short sales or transactions in a certain period.
  - ii. **Futures Market Surveillance:** TAIFEX performs market monitoring in compliance with the "Market Trading Surveillance Measures." After detecting aberrant futures trading and releasing trading information, applicable actions such as changing the margin amount, restricting futures trading volume or positions, and suspending/terminating part or all of futures trading should be performed.
- c. **Follow-up Disposition:** If the TWSE, TPEX or TAIFEX discovers any market participant is involved in false financial reports, insider trading, stock price manipulation, embezzlement, speculative trading or other illegal activities that violate the SEA and relevant laws and regulations during the supervision process, it will report the aforementioned information to the SFB for further administrative investigation and disposition. If the investigation reveals criminal activity, the case should be sent to the MJIB or the District Prosecutors Office for further investigation and prosecution. As for civil liability, the Securities and Futures Investors Protection Center (the SFIPC) will file class action litigations, derivative suits and discharge suits in accordance with the provisions of the "Securities Investor and Futures Trader Protection Act" (SIFTPA).

## Violation Case Handling Process Flow Chart <sup>1</sup>



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 Law Enforcement of Intermediaries

In accordance with the SEA, the FTA, SITCA, and related laws and regulations, the SFB supervises the TWSE, TPEX, TAIFEX, and affiliated associations to enact related regulations and supervise intermediaries and their responsible persons and associated persons accordingly plus take related measures in case of violations:

- a. Supervision of Securities Firms:** In accordance with the market regulations formulated by the TWSE and TPEX, contracts regarding the use of the securities market, and business bylaws or operational rules specifying trading orders of securities dealers or brokers, securities firms are urged to join the trade associations and comply with related self-regulatory rules and laws, and related measures will be taken in case of any violations.
- b. Supervision of Futures Commission Merchants:** The FSC oversees futures commission merchants to ensure compliance with self-regulatory rules and legal requirements. This supervision is carried out through (i) market usage contracts signed between TAIFEX and the merchants; (ii) TAIFEX's established market regulations; (iii) regulations governing the merchants' financial management, business operations, and internal controls; and, (iv) the requirement for merchants to join the

Chinese National Futures Association (CNFA). The FSC monitors their adherence to these rules and takes appropriate action when necessary.

- c. **Supervision of Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises:** Securities investment trust enterprises (SITEs) and securities investment consulting enterprises (SICEs) are urged to join the Securities Investment Trust and Consulting Association of the R.O.C. (SITCA). SITCA should check the compliance of SITEs and SICEs with self-regulatory rules and laws on a regular basis to strengthen the internal controls of these enterprises and the discipline of their employees.
- d. **Follow-up Disposition:** If the above-mentioned supervision process reveals that intermediaries, their responsible persons, and business personnel have violated the SEA and relevant laws and regulations, the TWSE, TPEX, TAIFEX, or affiliated associations should report the relevant information to the SFB for administrative investigation and resolution. If the investigation reveals criminal activity, the case should be sent to the MJIB or the District Prosecutors Office for further investigation and prosecution. If it involves civil disputes arising from the securities offering, issuance, trading or futures trading and other related matters, the SFIPC will conduct mediation or litigation in accordance with SIFTPA. If it involves civil disputes between financial consumers and financial service providers arising from products or services, the Financial Ombudsman Institution (the FOI) will conduct mediation or evaluation in accordance with the "Financial Consumer Protection Act."

### 3. Supervision and Enforcement of VASPs

The SFB monitors Virtual Asset Service Providers (VASPs) in accordance with the "Money Laundering Control Act" (the MLCA) and the "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platform or Transaction." Currently, relevant businesses are required to complete the declaration of compliance with the MLCA and report the documents under certain methods designated by the FSC before VASPs start operate. Furthermore, the Financial Examination Bureau (the FEB) conducts on-site inspections of VASPs to understand whether their implementation are fully compliant with the regulations of anti-money laundering (AML) and countering the financing of terrorism (CFT) measures. If any violations occurred, the SFB shall conduct pertinent administrative investigations and dispositions. If the investigation reveals criminal activity, the case shall be sent to the MJIB or the District Prosecutors Office for further investigation and prosecution.

With the objective of further imposing criminal responsibility on illegal enterprises, the FSC shall continually encourage the Taiwan Virtual Asset Service Provider Association (the TWVASP) to implement self-regulatory rules and advocate draft processes for the VASP registration system that complies with the MLCA. It would eventually strengthen the management of domestic VASPs and the defense of investor rights and interests.

## Supervisory Focus of the Securities and Futures Markets in Taiwan in 2023

### 1. Strengthening Corporate Governance and ESG Information Disclosure

#### a. Releasing the “Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies” to Encourage Enterprises Proactively Implement Sustainable Development

Based on the cornerstone set by the “Sustainable Development Roadmap for TWSE/ TPEX Listed Companies” and the “Corporate Governance Roadmap,” the FSC released the “Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies” on March 28, 2023. This is composed of four main pillars—governance, transparency, digitization, and innovation—as well as five major aspects—“Leading Enterprises to Achieve Net Zero,” “Deepening Corporate Sustainable Governance Culture,” “Refining Sustainable Information Disclosure,” “Strengthening Stakeholder Communication,” and “Promoting ESG Evaluation and Digitization”—all of which totaled to 33 specific measures.

The 2023 key achievements encompass eight significant actions: (i) enhancing TWSE/ TPEX-listed companies’ disclosure requirements regarding carbon reduction targets, strategies, and specific action plans through amendments to annual report and sustainability report governance regulations; (ii) establishing the Taiwan Carbon Solution Exchange (the TCX); (iii) augmenting audit committee functions via amendments to Articles 14-4 and 14-5 of the SEA; (iv) expanding CGE indicators to improve remuneration mechanisms, assess sustainability reports, and evaluate CPA assurance working papers; (v) issuing the “IFRS Sustainability Disclosure Standards Alignment Blueprint”; (vi) amending regulations governing shareholders meeting agenda handbooks and annual reports to facilitate earlier disclosure of pertinent shareholder meeting information; (vii) amending Article 43-1 of the SEA to strengthen large-volume shareholding disclosure requirements; and (viii) establishing the ESG InfoHub and addressing related matters.

#### b. Releasing the “Rules Governing the Preparation and Filing of Sustainability Reports by Securities Firms, SITEs and Futures Commission Merchants” to Facilitate Their Promotion of Sustainable Development and Strengthen Related Information Disclosure

With the objective of improving transparency of sustainable operations, the FSC encouraged security-peripheral organizations—the TWSE, TPEX and TAIFEX—and peripheral organizations—the Taiwan Securities Association (the TWSA), the Chinese National Futures Association (the CNFA) and SITCA—to promulgate the “Rules Governing the Preparation and Filing of Sustainability Reports by Securities Firms,” “Rules Governing the Preparation and Filing of Sustainability Reports by Futures Commission Merchants,” and “Rules Governing the Preparation and Filing of Sustainability Reports by Securities Investment Trust Enterprises” (tentative English translation) in March 2023, respectively. They stipulate the securities and futures industry refer to standards released by the Global Reporting Initiative (the GRI) as preparation standards, the Task Force on Climate-related Financial Disclosures (the TCFD) as the climate risk-related information disclosure reference, and the standards formulated by the Sustainability Accounting

Standards Board (the SASB) as a guideline to gradually prepare and file sustainability reports in stages.

As of September 30, 2023, nine securities firms and two futures commission merchants meeting the first-stage scale criteria published their 2022 sustainability reports. SITEs will be subject to this criteria in 2024, following the publication of their 2023 reports. This phased implementation aims to enhance investor comprehension of sustainable development and ESG practices within the industry.

## **2. Releasing “Roadmap for Taiwan Listed Companies to Align with IFRS Sustainability Disclosure Standards,” and Continually Promote the Alignment of Relevant Regulations for CPAs and Firms with International Standards**

### **a. Releasing “Roadmap for Taiwan Listed Companies to Align with IFRS Sustainability Disclosure Standards” to Enhance the Relevant Improvements of Sustainability Information Quality/Transparency**

- i. In light of the International Organization of Securities Commissions (IOSCO)’s calling—nationwide adoption of the International Sustainability Standards released by the International Sustainability Standards Board (ISSB) under the IFRS Foundation on June 26, 2023—the FSC invited relevant units to hold a symposium titled “Advocacy of IFRS Sustainability Disclosure Standards Alignment Blueprint” (the Blueprint) in August 2023 to jointly discuss the Blueprint. To elevate the quality and comparability of sustainability information reporting, the Blueprint was launched on August 17 the same year to strengthen capital market trust.
- ii. Key points of the aforementioned blueprint are as follows:
  - (1) Directly adoption of IFRS Sustainability Disclosure Standards, the Standards will be applied after being approved by the FSC.
  - (2) Considering the capacities and capabilities of Taiwan listed companies, the FSC would take a phase-in approach to adopt IFRS Sustainability Disclosure Standards starting from FY2026.
  - (3) The FSC amended “Regulations Governing Information to be Published in Annual Reports of Public Companies,” requiring companies to disclose sustainability information in accordance with IFRS Sustainability Disclosure Standards in their annual reports.
  - (4) Considering the difference in capability for listed companies to disclose sustainability-related information, the FSC decided to provide sufficient flexibility for companies to prepare for adoption of IFRS Sustainability Disclosure Standards and use the transition reliefs. In addition, the FSC has established a task-force to promote the alignments with IFRS Sustainability Standards.

### **b. Supervising the National Federation of CPA Associations of the R.O.C. (the NCFPAA) to Amending the Latest “Norm of Professional Ethics Bulletin” to Strengthen Regulations on the CPAs’ Independence from Conflict of Interest**

To strengthen the CPA self-regulatory functions and align with international standards, the FSC supervises the NFCPAA in accordance with the “International Code of Ethics for Professional Accountants” (the IESBA Code) and domestic practices, while amending the “Norm of Professional Ethics Bulletin.” In 2023, the four additional Bulletins were added, improving the standards governing CPAs’ autonomy from conflicts of interest and responding to clients’ noncompliance with laws and regulations—all of which contribute to the CPAs’ professional and social image.

**c. Establishing a Differentiated Supervisory Mechanism for CPA Firms to Improve the Effectiveness of Taiwan’s Auditing Supervision**

The FSC has devised a risk-based supervisory system in 2023 for CPA firms based on past inspection faults and audit quality information. This mechanism not only provided firm supervisory indicators that were consistent with the notion of proportionate supervision, but it also adjusted the supervision intensity for particular firms correspondingly. It will be adopted beginning in 2024 to increase the efficacy of Taiwan’s auditing supervision and activate enterprises to boost audit quality while safeguarding investor interests.

### 3. Supervision of Intermediaries

**a. Strengthening Universal Supervision**

Encompasses compliance with “applicable laws and regulations,” “implementation of AML measures, CFT, and countering proliferation financing (CPF),” plus “investment management protocols.”

**b. Strengthening Individual Supervision**

**i. Securities Firms:** Besides enacting relevant regulations for the outsourced operations by securities firms, SITEs, SICEs and futures commission merchants, the supervision also includes the compliance of (i) inspection implementation of conflicts of interest from securities firms’ internal personnel, (ii) the scenarios of securities firms conducting wealth management business for high-net-worth clients, (iii) the implementation of market making and hedging for exchange-traded notes (ETNs), and (iv) the scenarios when securities firms handle derivative financial products.

**ii. SITEs:** Several actions have been taken, including: (i) robust AML, CFT, and CPF protocols; (ii) enhanced information disclosure of offshore funds; (iii) rigorous KYC and KYP procedures; (iv) conflict of interest prevention and investment process controls for investment funds, encompassing both government and private discretionary management; (v) stringent oversight of ETF offerings, sales, premium/discount management, index tracking, and information disclosure, including futures ETFs; (vi) augmented ETF information disclosure, particularly regarding implementation and issuance environments; (vii) increased transparency in ESG-related ETFs; (viii) fortified cybersecurity management; (ix) comprehensive management inspection and remuneration oversight for sales agency payment channels; and (x) implementation of corporate governance and business continuity management mechanisms.

#### 4. Enhancing Protection of Investor Rights

- a. In response to the proviso of Paragraph 1, Article 172-2 of the “Company Act,” and considering the significant impact on shareholders’ interests of virtual-only shareholders meetings, the FSC amended Articles 44-9 and 44-21 of the “Regulations Governing the Administration of Shareholder Services of Public Companies.” Key amendments include: (i) exempting companies from the requirement of express provision in their Articles of Incorporation for shareholders meetings with video conferencing during periods of natural disasters, unforeseen events, or other force majeure events, as announced by the Ministry of Economic Affairs (the MOEA); (ii) implementing provisions to facilitate virtual-only shareholders meetings; (iii) elevating the board’s voting threshold for convening video conference meetings; and (iv) mandating companies to provide appropriate alternative measures for shareholders facing difficulties in participating in virtual-only meetings.
- b. The FSC amended Article 6 of the “Regulations Governing Content and Compliance Requirements for Shareholders’ Meeting Agenda Handbooks of Public Companies” to enhance the transparency and accessibility to certain TWSE/TPEX listed companies—paid-in capital of NT\$20 billion or more, as well as with foreign and mainland China shareholdings collectively accounting for 30% or more—to electronically submit their shareholders meeting agenda handbooks and supplementary information to the FSC-designated information reporting website 30 days prior to the annual shareholders meeting.
- c. The FSC amended provisions of the “Regulations Governing Public Tender Offers for Securities of Public Companies” and Articles 7, 8, and 9 of the “Regulations Governing Information to be Published in Public Tender Offer Prospectuses.” These amendments include: (i) mandating proof of ability to fulfill payment obligations when using securities as tender offer consideration, and (ii) revising allocation principles to implement fairness when the number of tendered shares exceeds the predetermined tender offer quantity.
- d. Strengthening the supervision of beneficiary owners at public companies
  - i. Existing Control Mechanisms:

The SEA and relevant authorized sub-laws stipulate that public companies should disclose a shareholder list in their annual reports. In this list, it should reveal those shareholders with a shareholding ratio of 5% or more, and the top 10 shareholders plus their shareholdings while for corporate shareholders, it must further disclose up to the second layer (shadow shareholders) until the natural person is fully revealed. In addition, TWSE/TPEX listed companies—including TWSE/TPEX listed securities firms and futures commission merchants—should disclose the names, number of shares held and shareholding ratio of major shareholders with a shareholding ratio of 5% or more in their quarterly financial reports. Furthermore, the companies should report and make an announcement if the below situations occurred: (i) any person—including one’s spouse, minor children and those held in the name of others—acquires, either individually or jointly with others, more than 10% of the total issued shares of any public company; (ii) if there are changes.

- ii. Strengthening the Supervision Mechanism:
- (1) Articles 43-1 and 183 of the SEA were amended on May 10, 2023, to reinforce the transparency of large-volume shareholding information and comply with international legal trends. It was proposed to reduce the aforementioned large-volume shareholdings reporting and disclosure requirement from 10% to 5%, with a one-year grace period provided. In accordance with recent legislative amendments, the FSC promulgated the 'Regulations Governing the Declaration of Acquisition of Shares in Accordance with Article 43-1, Paragraph 1 of the Securities and Exchange Act' on January 30, 2024, effective May 10, 2024. This regulatory update aims to enhance reporting efficiency and supervisory effectiveness through three key provisions: (i) reduction of the large-volume shareholding disclosure threshold from 10% to 5%; (ii) implementation of electronic reporting methods, aligning with carbon reduction and energy conservation policies while improving reporting efficiency; (iii) establishment of a mandate for shareholders who have acquired between 5% and 10% of a public company's total issued shares prior to the regulation's implementation, and whose reporting and announcement cases were previously referred to the TWSE and TPEX, to file an initial report and announcement within the prescribed time limit.
  - (2) In March 2023, Taiwan released the "Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies" to increase shareholder transparency. This ambitious strategy not only draws on overseas legislative models such as Singapore and Hong Kong to motivate enterprises toward implementing beneficial owner information backup, but also aims to finish the process between 2023 and 2025. During the aforementioned period, the TWSE was directed to first collect relevant practices from abroad, then assess and formulate reference examples of relevant internal operating procedures for companies, and finally enact the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" to discuss the feasibility of encouraging companies to assemble a list of beneficial owners who have actual control over the company. In 2023, the TWSE continuously evaluated relevant overseas practices regarding guidance for companies to identify and document beneficial owners who exercise actual control over the company, serving as references for future management policies.



## Chapter I

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

2023

- Administrative Sanctions Imposed by the SFB from 2019 to 2023
- Investigations of Criminal Liability by the MJIB from 2019 to 2023
- Investigations of Civil Liability by the SFIPC from 2019 to 2023
- Cross-Border and Inter-Ministerial Collaboration on Financial Supervision from 2019 to 2023



Taiwan enforcement data in the recent five years (2019 to 2023) was compiled as shown in Table 1-1, including administrative sanction cases by the SFB, criminal investigation cases of enterprises violating the SEA transferred by the MJIB, and civil liability action cases by the SFIPC.

Table 1-1 shows that the number of administrative sanction cases and penalties imposed by the SFB increased during the last five years before declining. However, the MJIB's number of criminal cases has changed in the opposite direction, while crime proceeds have continued to drop. The number of class action litigations filed by the SFIPC tended to decline with time, while the number of derivative and discharge suits increased. The above enforcement actions, along with the "Cross-border and Inter-ministerial Collaboration on Finance Supervision from 2019 to 2023," and "Law Enforcement Results on Insider Trading Over the Past Five Years" are detailed in the following sections of this chapter.

**Table 1-1**

Law Enforcement Unit and Action		Year				
		2019	2020	2021	2022	2023
The SFB of the FSC	Administrative Sanctions (Publicly Issued Companies; Intermediaries, Including Personnel)	357 cases (270; 87)	351 cases (234; 117)	367 cases (219; 148)	287 cases (199; 88)	311 cases (176; 135)
	Amount of Penalties (Publicly Issued Companies; Intermediaries, Including Personnel)	NT\$ 82.16 million (NT\$69.14 million; NT\$13.02 million)	NT\$ 103.6 million (NT\$51.98 million; NT\$51.62 million)	NT\$ 86.93 million (NT\$49.15 million; NT\$37.78 million)	NT\$ 67.8 million (NT\$43.7 million; NT\$24.1 million)	NT\$ 70.7 million (NT\$43.14 million; NT\$27.56 million)
The MJIB	Cases Transferred for Violating the SEA	60 cases	57 cases	49 cases	63 cases	57 cases
	Criminal Proceeds (Amount)	NT\$15,941.98 million	NT\$16,563.05 million	NT\$11,653.69 million	NT\$5,232.54 million	NT\$4,331.96 million
The SFIPC	Class Action Litigations and Compensation Sought	12 cases NT\$1,687.29 million	10 cases NT\$726.25 million	11 cases NT\$7,246.26 million	7 cases NT\$7,335.45 million	6 cases NT\$265.14 million
	Derivative Suits and Compensation Sought	2 cases NT\$115.77 million	6 cases NT\$1,309.9 million	8 cases NT\$1,736.85 million	9 cases NT\$1,434.6 million	4 cases NT\$2,201.31 million
	Discharge Suits	5 cases	7 cases	6 cases	14 cases	12 cases

\* Reference: The administrative sanctions by the SFB were compiled from the case summary table on the SFB website (Please refer to Tables 1 and 2, Appendix 3 for further information, including administrative sanction statistics tables and detailed data <https://www.sfb.gov.tw/ch/home.jsp?id=102&parentpath=0,2>); the relevant statistics of the MJIB and the SFIPC were provided by the responsible units.

\*\* For the enforcement data of the TWSE, TPEX and TAIEX conducting supervision of public companies and intermediaries (including personnel) in accordance with relevant regulations, and any resulting enforcement actions due to detected violations, please refer to Appendix II.

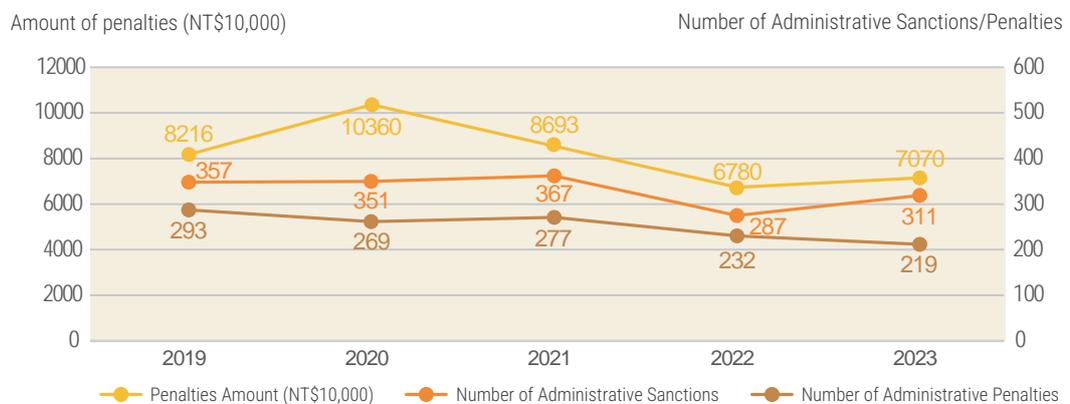
\*\*\* The SFIPC's annual amount of compensation sought of class action litigation cases may be adjusted due to the increase or decrease in the number of authorizers or changes in the calculation method of damage. The annual amount of compensation sought of derivative suits may be adjusted based on the litigation status of the cases. The data was compiled as of March 18, 2024.

A

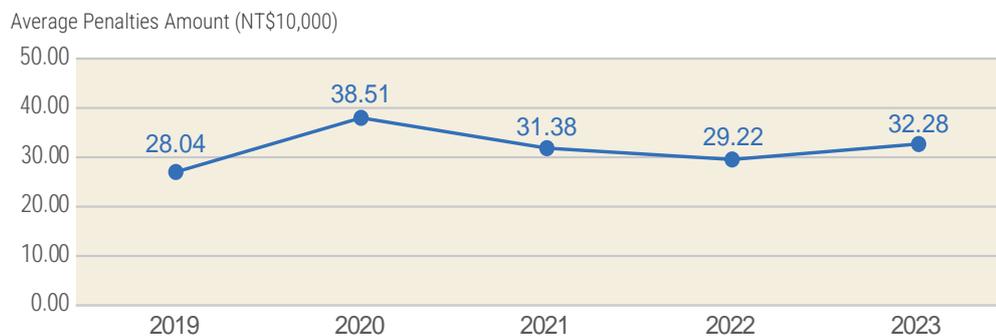
## Administrative Sanctions Imposed by the SFB from 2019 to 2023

In the last five years (from 2019 to 2023), the number of administrative sanctions and penalties cases by the SFB decreased in 2020 and bounced back in 2021, but it has been decreasing again since 2021 (although the number of administrative sanction cases decreased in 2022, it increased again in 2023). The total amount and average amount of administrative penalties (please refer to Figures 1-1, 1-2 and Table 1 of Appendix III) were highest in 2020, then it declined by year until the 2023 turning point. Among them, the number of administrative sanction cases was the highest in 2021, the amount of penalties was the lowest in 2022 and the number of penalties cases was the lowest in 2023.

The trends can be primarily attributed to the following. First, on April 17, 2019, amendments to Article 178 of the SEA and the addition of Article 178-1 were enacted, effectively doubling the maximum administrative fine for regulatory violations from NT\$2.4 million to NT\$4.8 million. Concurrently, new penalty provisions were introduced for securities firms failing to implement adequate internal control systems. In addition, in 2020 a significant fine of NT\$25 million was imposed in a single case involving violations of the "Act Governing Relations Between the People of the Taiwan Area and the Mainland Area." Furthermore, 2023 saw an increase in enforcement actions against SITEs and SICEs for regulatory infractions.



**Figure 1-1** Number of Administrative Sanctions, Amount of Penalties and Total Amount of Penalties from 2019 to 2023



**Figure 1-2** Average Penalties Amount from 2019 to 2023 (Unit: NT\$10,000)

Analyzing the SFB administrative sanction cases through penalty type and subject in 2023, the following observations are listed as follows (please refer to Table 1-2, Figures 1-3 and 1-4 for details):

1. The number of administrative penalties cases totaled 219, a noticeable drop from 2022 (232 cases), mainly due to the declining trend in the number of penalty cases against insiders, public companies, and CPAs for violating relevant regulations in 2023. The amount of penalties totaled NT\$70.7 million, a slight increase from 2022 (NT\$67.8 million), largely attributable to higher penalties imposed on certain intermediaries (including securities firms, SITEs, and futures commission merchants that violated internal control regulations) and CPAs in 2023.
2. Correction sanctions imposed on intermediaries totaled 54, accounting for 17% of all cases, representing a slight increase in both the number of cases and the proportion compared to 2022 (37 cases; approximately 13%).
3. Other types of sanctions besides administrative penalties and rectifications to intermediaries included one case of business license revocation and four cases of warning issuance. In addition, there were 25 sanctions placed on the business operation before termination, three sanctions of discharge of duties, and three sanctions of salary reduction imposed on intermediaries and their responsible persons and business personnel.
4. Furthermore, penalty cases accounted for approximately 71%, representing a considerable decrease from 81% in 2022, while other types of administrative penalties, such as corrections and pay reductions, increased. This indicated a more diverse approach for Taiwan's sanction measures, and it is beneficial to improving supervisory proposes.
5. Administrative sanctions by subject:
  - a. More than 50% of the cases were insiders of public companies (including directors, supervisors, managers, and 10% major shareholders) who failed to report their holdings or transfer of securities in accordance with Articles 22-2 and 25 of the SEA.
  - b. Next, about 22% of the cases (48 cases in total) were public companies, a decrease in both the number of cases and the proportion compared to 2022 (58 cases; 25%). Most of these public companies failed to file (restate) their financial statements in accordance with regulations.
  - c. Then, about 20% (44 cases) conducted by intermediaries, a slight increase in both the number and the proportion compared to 2021 (41 cases; 18%). In addition, in order to strengthen regulatory compliance through an increase of the penalties' upper limit, and implement the internal control of securities firms, the FSC amended Article 178 of the SEA and enacted Article 178-1 of the same Act on April 17, 2019. According to the statistics, from 2019 to 2023, the number of cases in which securities firms were fined in accordance with Article 178-1 of the SEA was 1, 5, 28, 26 and 31 respectively, showing an upward trend. In 2023, the intermediaries that were imposed higher penalties included Fubon Asset Management Company Limited (the Fubon Asset), Prudential Securities Incorporated (the Prudential) and JKO Asset Management Co., Ltd. (the JKO Asset) for violation cases, which faced a penalty of

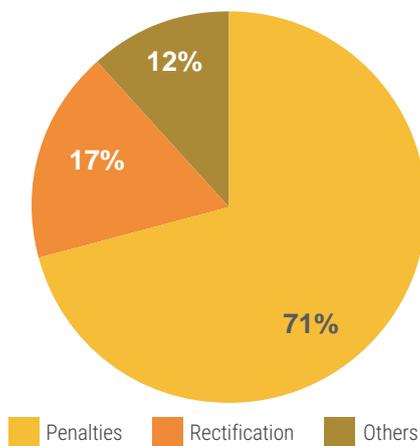
NT\$1.8 million, NT\$1.2 million, and NT\$1.2 million, respectively (please see Case 5 and Case 6 in Chapter II for related case explanations).

- d. In addition, the FSC imposed fines on CPAs in four cases in 2023, mainly because the CPAs failed to perform relevant audit procedures in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant” and “Standards on Auditing” when auditing and attesting the financial reports of publicly issued companies.

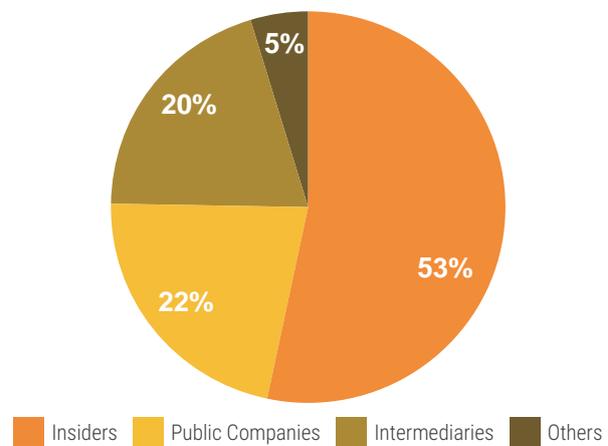
Table 1-2

Type of Sanction / Party in Breach	Penalties	Rectification	Termination of Business Operations	Discharge of Duties	Revocation of Business License	Warning	Salary Reduction	Total
Insiders	117	-	-	-	-	-	-	117
Public Companies	48	-	-	-	-	-	-	48
CPAs	4	-	-	-	-	-	-	4
Intermediaries	44	54	-	-	1	4	-	103
Responsible Persons and Employees of Intermediaries	1	-	25	3	-	-	3	32
Others	5	-	-	-	-	-	-	5
<b>Total</b>	<b>219</b>	<b>54</b>	<b>25</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>309</b>

\* Table 1-2 was compiled from the administrative sanction case summary table on the SFB website (including administrative sanction statistics tables and detailed data, <https://www.sfb.gov.tw/ch/home.jsp?id=102&parentpath=0,2>, please refer to Table 2, Appendix III).



Penalties Rectification Others



Insiders Public Companies Intermediaries Others

Figure 1-3  
Type of Administrative Sanctions in 2023

Figure 1-4  
Subject of Administrative Sanctions in 2023

B

## Investigations of Criminal Liability by the MJIB from 2019 to 2023

Criminal cases violating the SEA transferred by the MJIB over the past five years (2019-2023) showed a downward trend from 2019 to 2021, peaked in 2022, and then declined again in 2023. The amount of criminal proceeds spiked in 2020, followed by a year-on-year decline, reaching its lowest point in 2023.

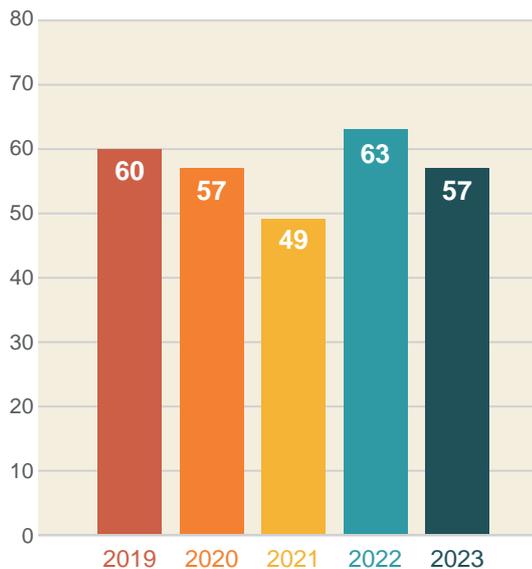


Figure 1-5 Number of Criminal Cases

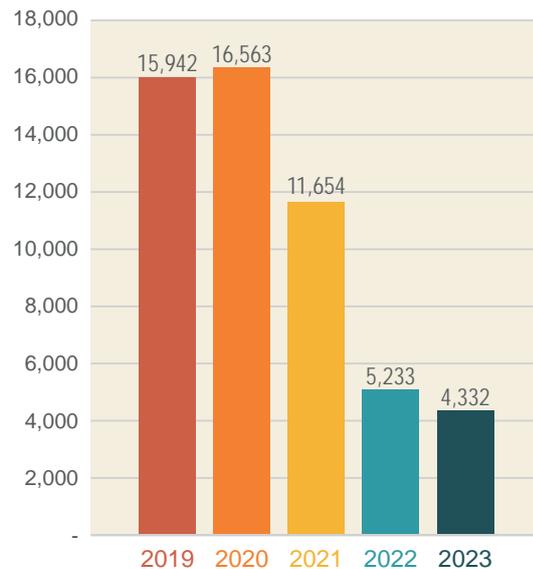


Figure 1-6 Criminal Proceeds (Unit: NT\$ million)

In 2023, two peaks were attained: (i) the twenty criminal cases of insider trading; and (ii) the NT\$1,265.82 million proceeds of crime from misleading financial reporting. The number of criminal cases in 2023 decreased compared to the previous year, primarily due to a decline in cases of counterfeit documents in collection or issuance, insider trading, and unconventional transactions. Both insider trading and unconventional transaction cases decreased by four cases each, which is the most significant decrease among others. The amount of criminal proceeds was slightly lower than in 2022, mainly attributable to an overall decrease in the amount for each type of violation (see Tables 1-3 and 1-4).

Further analysis reveals that the amounts of illegal funds in counterfeit documents in collection or issuance cases transferred by the MJIB in 2023 varied significantly due to the differences in the nature of the cases. Two scenarios emerged: (i) unconventional transaction cases showed a substantial gap in proceeds of crime due to the disparity in cases investigated and transferred (six in 2022 versus two in 2023); (ii) false financial statements cases in 2023 exhibited a significant increase in both the number of investigated/transferred cases and the amount of criminal proceeds compared to 2022.

Table 1-3

Type of Violation	Number of Violations					Number of Suspects				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Counterfeit Documents in Collection or Issuance	9	8	7	10	8	64	49	35	59	47
Settlement Default	0	0	0	0	0	0	0	0	0	0
Stock Price Manipulation Through Abnormal Trading	14	9	5	11	12	40	48	15	39	36
Insider Trading	12	13	22	24	20	40	55	81	112	79
Unconventional Transactions	9	9	4	6	2	47	61	23	25	16
Special Breach of Trust and Embezzlement	12	12	7	9	10	72	64	14	54	46
False Financial Statements	3	6	3	3	4	20	19	11	21	44
False Lawyer or CPA Attestation	0	0	1	0	0	0	0	3	0	0
Stock Price Manipulation with Unreliable Information	1	0	0	0	1	1	0	0	0	1
Stock Price Manipulation by Other Means	0	0	0	0	0	0	0	0	0	0
Illegal Private Placement	0	0	0	0	0	0	0	0	0	0
Illegal Mergers and Acquisitions	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>60</b>	<b>57</b>	<b>49</b>	<b>63</b>	<b>57</b>	<b>284</b>	<b>296</b>	<b>182</b>	<b>310</b>	<b>269</b>

Table 1-4

Type of Violation	Criminal Proceeds (NT\$10,000)				
	2019	2020	2021	2022	2023
Counterfeit Documents in Collection or Issuance	449,738	205,919	175,089	256,031	118,104
Settlement Default	0	0	0	0	0
Stock Price Manipulation Through Abnormal Trading	325,601	241,715	71,422	16,082	19,824
Insider Trading	8,544	20,299	11,052	24,684	10,216
Unconventional Transactions	199,731	141,676	52,799	102,696	39,238
Special Breach of Trust and Embezzlement	495,968	620,296	208,658	85,840	119,232
False Financial Statements	114,614	426,398	326,350	37,921	126,582
False Lawyer or CPA Attestation	0	0	320,000	0	0
Stock Price Manipulation with Unreliable Information	0	0	0	0	0
Stock Price Manipulation by Other Means	0	0	0	0	0
Illegal Private Placement	0	0	0	0	0
Illegal Mergers and Acquisitions	0	0	0	0	0
<b>Subtotal</b>	<b>1,594,196</b>	<b>1,656,303</b>	<b>1,165,370</b>	<b>523,254</b>	<b>433,196</b>

## C

## Investigations of Civil Liability by the SFIPC from 2019 to 2023

## 1. Class Action Litigations: (see Table 1-5)

- a. Type of Case: From 2019 to 2023, the SFIPC instituted 12, 10, 11, 7 and 6 class action litigation cases, respectively. Among them, insider trading cases accounted for the majority in 2019 and 2023, specifically; while false financial statements, false financial and business information, or false prospectus cases made up the majority in 2020, 2021 and 2022.
- b. Trend Analysis:
- Number of Cases: The number of class action litigation cases from 2019 to 2021 did not change notably. In 2022 and 2023, there were fewer class action litigation cases, because the subject companies of the cases accepted in those years were not actively traded stocks in the market, making it difficult to meet the requirement of 20 persons stipulated in Article 28 of SIFTPA, but the difference was not significant.
  - Number of Authorizers: The number of authorizers was higher in 2021, resulting from several litigation cases having a higher number of authorizers in the same year, such as the cases of Pharmally International Holding Company Limited (the PIHC) and China Shenshan Orchard Ltd. (the CSOL).
  - Amount of Compensation Sought: The amount of compensation was higher in 2021 and 2022 due to two factors. First, the number of authorizers in the litigation cases was high, and the stock price of the involved cases was high. Second, a high number of shares were subscribed by authorizers in cash capital increase by the companies involved. The cases mentioned above are the PIHC and Roo Hsing Co., Ltd. (the RHC).

Table 1-5

Type of Class Action	2019			2020			2021			2022			2023		
	Number of Cases	Amount of Compensation Sought (NT\$ 10,000)	Number of Authorizers	Number of Cases	Amount of Compensation Sought (NT\$ 10,000)	Number of Authorizers	Number of Cases	Amount of Compensation Sought (NT\$ 10,000)	Number of Authorizers	Number of Cases	Amount of Compensation Sought (NT\$ 10,000)	Number of Authorizers	Number of Cases	Amount of Compensation Sought (NT\$ 10,000)	Number of Authorizers
False Financial Statements, Financial and Business Information or Prospectus	2	69,625	143	5	65,309	3,478	5	710,529	7,795	5	666,712	1,122	1	19,374	275
Stock Price Manipulation	4	80,010	1,048	2	1,791	140	3	9,157	93	1	66,663	124	1	103	27
Insider Trading	6	19,094	1,512	2	1,198	60	2	2,809	49	1	170	28	4	7,037	438
Others (Note 1)	0	0	0	1	4,327	109	1	2,131	77	0	0	0	0	0	0
<b>Total</b>	<b>12</b>	<b>168,729</b>	<b>2,703</b>	<b>10</b>	<b>72,625</b>	<b>3,787</b>	<b>11</b>	<b>724,626</b>	<b>8,014</b>	<b>7</b>	<b>733,545</b>	<b>1,274</b>	<b>6</b>	<b>26,514</b>	<b>740</b>

Note 1: Others refer to the combination of 2 or more types of violations, including false financial statements, financial and business information or prospectus, stock price manipulation, insider trading and other types of violations.

Note 2: The amount of compensation sought and the number of authorizers each year may be adjusted due to the increase or decrease in the number of authorizers or changes in the calculation method of damage. The data was compiled as of March 18, 2024.

## 2. Derivative Suits and Discharge Suits: (see Table 1-6)

- a. Types of Cases: The SFIPC instituted 2, 6, 8, 9 and 4 derivative suits from 2019 to 2023, respectively. The number of discharge suits was 5, 7, 6, 14, and 12 cases, respectively.
- b. Trend Analysis: When the SFIPC files derivative suits or discharge suits pursuant to Article 10-1 of SIFTPA, two prerequisites must be met: the subject company must be a TWSE/TPEX listed company or an emerging stock company. The wrongdoer must be a current or former director or supervisor of the company. Upon satisfying these conditions, the SFIPC then evaluates whether to file derivative suits or discharge suits on a case-by-case basis. There was no significant difference in the number of derivative suits (including intervention in litigation) from 2020 to 2022. 2019 and 2023 were fewer cases meeting statutory prerequisites, resulting in fewer derivative suits. Including interventions, the number of these lawsuits remained relatively stable from 2020 to 2022, as did discharge suits from 2019 to 2021. However, in 2022 and 2023, there is an increase in lawsuits due to SIFTPA's amendment of a 3-year disqualification for courts disqualifying directors and supervisors. The SFIPC, considering this amendment, pursued cases against incompetent directors or supervisors involved in criminal activities or breaching fiduciary duties, regardless of their current position, to implement legislative intent and prevent incompetent individuals from undermining corporate governance and jeopardizing company operations in the capital market.

Table 1-6

Type of Action	2019		2020		2021		2022		2023	
	Number of Cases	Amount of Compensation Sought (NT\$10,000)	Number of Cases	Amount of Compensation Sought (NT\$10,000)	Number of Cases	Amount of Compensation Sought (NT\$10,000)	Number of Cases	Amount of Compensation Sought (NT\$10,000)	Number of Cases	Amount of Compensation Sought (NT\$10,000)
Derivative Suits	2	11,577	6	130,990	8	173,685	9	143,460	4	220,131
Discharge Suits	5	-	7	-	6	-	14	-	12	-

Note: The amount of compensation sought in derivative suits each year may be adjusted due to the litigation situation of the cases. The data was compiled as of March 18, 2024.

## 3. Implementation Results

- a. Assisting investors in receiving compensation through class action litigations:

In 2023, the SFIPC assisted investors in asserting their rights through instituting class action litigations for securities and futures cases, obtaining more than NT\$150 million in settlement. Nevertheless, more than NT\$108 million in cases won, obtaining a total of more than NT\$259 million in compensation for investors in 2023. These results were

achieved as the SFIPC's filing of class action litigations and judicial judgments continue to evolve, accumulating winning cases while advocating for active settlements between the defendants and the SFIPC. In addition, the SFIPC also obtains compensation through compulsory enforcement and other relevant means. This not only distributes payments to investors, effectively achieving the purpose of compensating their losses, but also increases investor confidence in the market.

- b. Appealing to courts for disqualifying incompetent directors/supervisors of TWSE/TPEX listed companies in order to promote corporate governance:

In 2023, the SFIPC has won a total of 10 discharge suits, including the Tatung Company case (a final and binding judgment), the Solar Applied Materials Technology Corp. (the Solartech) case, and the RHC case, which all involved disputes over management rights. These judgments drew a clear line to perform their duties complying with the law for directors in executing business. For those who illegally contest management rights in the market, it has a deterrent effect. Through the disqualification system for discharging directors and supervisors, individuals who have been discharged are barred from serving as directors or supervisors of all TWSE/TPEX listed or emerging stock companies, and natural persons designated to represent and perform duties under Paragraph 1, Article 27 of the "Company Act" for 3 years. This increases the repercussions of being involved in illegal activities by directors and supervisors who cause significant damage to the company or significantly violate laws and regulations in executing business. It demonstrates that directors and supervisors must fulfill their fiduciary duty and duty of care in accordance with Paragraph 1, Article 23 of the "Company Act," effectively urging directors and supervisors to comply with the laws and regulations and faithfully perform their duties, thereby guiding market practices and improving corporate governance.



## Cross-Border and Inter-Ministerial Collaboration on Financial Supervision from 2019 to 2023

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

#### a. Interdepartmental Collaboration in Supervision on the Issuance Market

If TWSE/TPEX listed and emerging stock companies violate the SEA and associated regulations, the TWSE and TPEX will transfer the case to the SFB for appropriate sanctions. Cases involving securities crimes are discussed with prosecutors stationed at the FSC before transfer to the MJIB or District Prosecutors Office for criminal investigation or prosecution. From 2019 to 2023, the number of cases involving responsible persons of listed companies violating the following SEA regulations/articles that underwent this process was 8, 4, 4, 9, and 4, respectively (in 2023, one case involved related party transactions): (i) Subparagraph 1, Paragraph 1, Article 171, False or Concealed Financial Reports; (ii) Subparagraph 2, Paragraph 1, Article 171, Unconventional Transactions or Non-arm's Length Transactions; (iii) Subparagraph 3, Paragraph 1, Article 171, Special Breach of Trust; (iv) Sub-paragraphs 4 and 5, Paragraph 1, Article 174,

False Entries in Books, Tables, Documents, Other Reference or Reporting Materials, and Other Business-Related Documents; (v) Subparagraph 6, Paragraph 1, Article 174, False Entries in Financial Reports by Managers or Accounting Supervisors; (vi) Subparagraph 8, Paragraph 1, Article 174, Directors, Managers, and Others Violating Laws, Regulations or Exceeding the Scope of Authorization by the Board of Directors to Lend Company Funds to Others or Provide Guarantees for Others with Company Assets; and (vii) Subparagraph 2, Paragraph 2, Article 174, CPAs issuing false and untrue reports or opinions. In addition, in response to the investigation requirements of the prosecution units, the TWSE and TPEX cooperate with judicial agencies and other units for listed companies' financial and business matters. The TWSE assisted judicial agencies in providing information 27, 17, 40, 19 and 28 times in 2019, 2020, 2021, 2022 and 2023 respectively, whereas TPEX assisted 48, 41, 52, 24 and 34 times respectively.

Furthermore, to strengthen the communication mechanism among various supervisory units and detect abnormal matters involving corporate groups at an early stage in order to implement relevant supervisory measures in a timely manner, the SFB, TWSE, and TPEX (cross-agency cooperation) hold "Corporate Supervision Meetings," while inviting the Banking Bureau, Insurance Bureau, FEB, SFIPC, TDCC, and other relevant units to participate as needed. Two meetings were held in 2019, three in 2020, twice in 2021, and once in 2023 (no meeting was held in 2022).

#### **b. Interdepartmental Collaboration in Supervision on the Trading Activities**

From 2019 to 2023, a total of 4, 7, 4, 6 and 4 cases, respectively, were discussed with the prosecutors stationed at the FSC regarding investors involved in violating Article 155 (stock price manipulation) and Article 157-1 (insider trading) of the SEA. In terms of the cooperation among the TWSE, TPEX, and judicial agencies, as well as other relevant units in coordinating the criminal investigation in the securities trading market—including stock price manipulation, so-called speculation, and insider trading—the TWSE provided information to judicial agencies 45, 54, 47, 50, and 23 times in 2019, 2020, 2021, 2022, and 2023, respectively, whereas the TPEX assisted 103, 100, 116, 84, and 74 times, respectively.

Illegal trading cases where the TWSE/TPEX previously cooperated with judicial agencies to assist in the investigation were successively prosecuted by various district prosecutors offices or adjudicated by courts at all levels. Two examples for reference: (i) the Tatung Company stock price manipulation case involved five defendants including Zheng and other related individuals from 2016 to 2017, the Taiwan High Court sentenced them to imprisonment ranging from three years and eight months to thirteen years and six months for violating the SEA in June 2023; (ii) In the Auto King Internet Co., Ltd (later renamed as Newretail Co., Ltd.) insider trading case involving four defendants including Zheng and other relevant individuals in 2016, the Taiwan Taipei District Court respectively sentenced them to imprisonment from two years (suspended for three years), one year and ten months (suspended for three years), one year and eight months, and one year plus eight months (suspended for two years) for violating the SEA in October 2023.

### c. Inter-Ministerial Collaboration Between the FSC and the MOJ

The FSC and the MOJ hold regular meetings to strengthen working communication, coordination, and exchange of opinions in handling financial criminals, with the goal of jointly combating crime and maintaining order in the financial market. A total of two meetings were held in 2023.

## 2. Cross-Border Collaboration in Financial Supervision

For law enforcement purposes, the FSC may engage in financial supervisory cooperation matters such as information exchanges and assistance in investigations with foreign securities and futures regulatory authorities through the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMOU).

From 2019 to 2023, the SFB requested assistance from foreign authorities in a total of 40 cases, with a peak of twelve cases in 2022. From 2019 to 2023, foreign authorities requested assistance from the SFB in a total of 41 cases, with a spike of fifteen cases in 2020 (please refer to Table 1-7 for details). The SFB received a total of six assistance requests: two from the Otoritas Jasa Keuangan (the OJK), one from the Securities and Futures Commission of Hong Kong, one from the Cayman Islands Monetary Authority (the CIMA), one from the Labuan Financial Services Authority (the Labuan FSA), and one from the Cyprus Securities and Exchange Commission (the CySEC). As for requests from foreign authorities, also a total of six cases was sent, including two from Autorite des Marche Financiers (the AMF), one from the CySEC, one from the Securities and Exchange Board of India (the SEBI), one from the Securities Commission Malaysia (the SC) and one from the Vietnam State Securities Commission (the SSC). These collaborations show that Taiwan has established close communication and cooperation with worldwide financial regulatory authorities.

## 3. Law Enforcement Results on Insider Trading Over the Past Five Years

In the last five years (starting from January 1, 2019 to December 31, 2023), among the insider trading cases prosecuted, there were a total of 68 cases, of which 53 had convictions. Currently, 136 people have been sentenced to imprisonment ranging from approximately one year to three years and six months. Aside from criminal liability, they also have to bear civil liability. According to the SFIPC accepted class action litigations for insider trading compensation from investors damaged, there were five cases compensated among the 68 prosecutions.

Table 1-7

Type of Collaboration	Year				
	2019	2020	2021	2022	2023
Number of Cases Involving Requests for Assistance from Foreign Competent Authorities	11	7	4	12	6
Number of Cases Where Foreign Authorities Requested SFB Assistance	9	15	8	3	6

## Chapter II

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

2023

- Major Enforcement Cases under Administrative Sanctions
- Major Enforcement Cases under Criminal Investigation
- Major Enforcement Cases under Civil Liability Actions



Taiwan's securities and futures market enforcement policies, methods, structure, and enforcement effectiveness in the recent five years (2019-2023) have been described in the foreword and Chapter I. This chapter further explains the major enforcement cases of administrative sanctions, criminal investigations, and civil liability actions in Taiwan's securities and futures market in 2023.

## A

## Major Enforcement Cases under Administrative Sanctions

To enhance transparency and corporate governance in Taiwan's securities market, the FSC executed three major supervisory actions for TWSE/TPEX-listed companies in 2023. These cases resulted in penalties related to the following: (i) a management rights dispute and corporate governance violations involving Taisun Enterprise Co., Ltd. (Taisun); (ii) Catcher Technology Co., Ltd.'s (Catcher Technology) failure to include shareholder proposals in the annual general meeting (AGM) agenda, resulting in harm to shareholders' rights and interests; and (iii) collaboration with the MOJ to investigate Tung Ho Steel Enterprise Corporation's (THS) insider trading activities, where shares were acquired under another's name without proper reporting in accordance with regulations. In addition, penalties were imposed on intermediaries and related personnel for the following four issues: (i) Cathay Securities Corporation (Cathay Securities) failed to implement internal control systems related to computer systems and network control procedures; (ii) Fubon Asset Management Company Limited (Fubon Asset) and Prudential Securities Incorporated (Prudential) failed to effectively oversee and prevent their managers' illegal stock trading, resulting in a serious breakdown of internal controls; and (iii) JKO Asset Management Co., Ltd. (JKO Asset) failed to treat all fund investors equitably in the allocation of funds. The details are explained as follows.

### 1. Taking the Taisun Management Rights Dispute Case as a Lesson, Improving Relevant Regulations on the Operation of Audit Committees and Board Meetings To Strengthen Corporate Governance and Protect Shareholders' Rights/Interests

Taisun Enterprise and its major shareholder Long Bon International Co., Ltd. (Long Bon) had a management rights struggle from December 2022 to 2023, while Taisun had violated multiple corporate governance regulations. The FSC, the TWSE, and the SFIPC all actively requested that Taisun improve and strengthen supervision to protect shareholders' rights and interests.

On December 2, 2022, Taisun's audit committee submitted the disposal of Taiwan FamilyMart Co., Ltd. (FamilyMart) shares for resolution and approval by the board of directors, amounting to NT\$8.097 billion. The FSC found that the company had committed several violations, including: (i) failing to conduct an evaluation in advance or include the matter in the meeting materials according to established procedures for acquiring or disposing of assets; (ii) providing only a one-page, unclear shareholding details table as proposal materials; (iii) not supplying or supplementing information as requested by directors, in violation of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies." As a result of these violations, the company faced the following penalties imposed by the relevant authorities: (i) a NT\$480,000 fine from the FSC on the responsible person of the company; (ii) a breach of contract fine of NT\$2 million from the TWSE for major deficiencies in implementing internal control systems, incomplete disclosure of material information, failure to apply for trading suspension, and not holding a material information press conference in a timely manner; (iii) a letter from the SFIPC requesting each independent director to exercise their powers according to the law to investigate and ensure the company properly implements corrective actions.

The aforementioned equity disposal case was deemed to involve significant violations by Taisun's independent directors, Chen XX and Tu XX. As a result, they issued an announcement to convene an extraordinary general meeting (EGM) on March 16, 2023, in their capacity as independent directors, to re-elect directors and independent directors. To ascertain the legal basis and necessity of convening this EGM, the TWSE and the SFIPC separately requested both independent directors to provide explanations. Additionally, the SFIPC released a press statement urging both parties to comply with relevant laws and fulfill their duties with due diligence and fidelity as prudent directors. Furthermore, the FSC requested the TDCC to verify the various procedures related to the EGM, and asked the SFIPC to attend the meeting on the specified date. Furthermore, the Intellectual Property and Commercial Court issued a prohibition against convening the EGM scheduled for March 10, 2023, as Chen XX and Tu XX failed to provide explanations for the urgency of holding the EGM to re-elect the board. The reasons cited were: (i) the current Taisun directors were deemed unsuitable; (ii) selling Family Mart shares would pose significant risks; and (iii) irreparable harm to the powers and duties of independent directors, as well as the exercise of shareholders' rights.

Despite this, on April 7, 2023, seven individuals associated with Long Bon announced the convening of a second EGM for 2023 on May 31, for the re-election of both general and independent directors, pursuant to Article 173-1 of the "Company Act." Consequently, Taisun convened audit committee and board meetings on April 20. During the meetings, the police removed the chairperson of the audit committee, causing a disruption. The meeting was resumed on May 5, where two resolutions were adopted: the acquisition of 40.39% of JKO Asset shares for NT\$36 billion, and the establishment of a new factory and production lines for NT\$9.27 billion. Taisun bypassed standard procedures for meeting notification, convention, and signatures for the May 5 meeting, claiming it as a continuation of the April 20 meeting, while simultaneously issuing a material announcement regarding the automatic dismissal of independent director Chen XX. Additionally, a media outlet reported

that Taisun had signed an intermediary contract with Quantum International Corp. (QIC) for consultation. Nonetheless, this transaction also included the acquisition dealing fee of the FamilyMart shares for NT\$80 million, the purchase of two pieces of Wu Guanzhong's artwork for NT\$70 million, and issuance of a NT\$30 million guaranteed promissory note for the planned acquisition of Hualien New Paradiso of TLD valued at NT\$3 billion. After the assessment and investigation by the TWSE, the aforementioned actions hadn't been implemented under the internal control systems.

For the procedural failures of the company's audit committee and board of directors, the FSC imposed a penalty of NT\$960,000 on the responsible personnel and issued a letter requesting Taisun to disclose material information regarding the grounds for the removal of an independent director, which did not qualify for automatic removal under the regulations. The TWSE instructed the company to hold a material information press conference and imposed a breach of contract fine of NT\$2.5 million for repeated violations of the internal control system, with the issues being deemed serious. Additionally, the TWSE imposed a NT\$3 million breach of contract fine on Taisun for failing to correct the aforementioned improper material information, despite multiple reminders, and for repeated serious violations of material information disclosure rules. The SFIPC also issued a press release urging Taisun to effectively implement its internal control system and called on the company's directors and independent directors to fulfill their responsibilities in light of the repeated penalties imposed by the TWSE and the significant investment disputes surrounding the company.

In response to the frequent occurrence of management rights disputes, such as independent directors unilaterally convening an EGM, and to strengthen the powers of the audit committee, the Legislative Yuan efficiently passed amendments to Articles 14-4 and 14-5 of the SEA, as drafted by the FSC. These amendments clearly stipulated that the following rights, previously exercisable by independent directors, are now to be implemented by the audit committee: (i) the right to sue a director; (ii) the right to convene shareholders meetings; and (iii) the right to represent the company in transactions between directors and the company. The amendments were promulgated by the President on June 28, 2023. In addition, to resolve disputes over the convening and meeting procedures of the audit committee and board of directors, the FSC also requested the SFIPC to hold consultation meetings, with the objective of receiving diverse feedback from experts, scholars, and peripheral organizations. Moreover, the FSC promulgated amendments to relevant provisions of the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies" and the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" on January 11, 2024, stipulating the procedures for convening audit committee meetings. The amendments stipulated several matters, including: (i) the convener election procedures of the audit committee; (ii) the number of times and procedures for postponing meetings; (iii) the procedures for matters yet to be confirmed in the next meeting; (iv) the defined limit period for the next convened board meeting; and (v) the proxy chair selecting method when the chair is unable to preside over the meeting. These aforementioned actions could not only enhance the meeting procedures of the audit committee and board of directors, but also empower the supervisory functions of the audit committee, strengthen the governance of TWSE/TPEX-listed companies, and protect shareholders' rights and interests.

## 2. Catcher Technology Failed To Include Shareholder Proposals in the Agenda of the AGM, Violating the Provisions of the Company Act and Damaging Shareholders' Rights and Interests, and the FSC Imposed a Fine of NT\$240,000

The MOEA, as the competent authority of the "Company Act," amended Article 172-1 in 2005 to grant shareholders the right to issue proposals, which allows those holding 1% or more of the shares to submit one proposal for the AGM within 300 words. In order to strengthen such shareholders' protection rights, in 2018, the MOEA amended that if a company fails to include the aforementioned qualified shareholder proposals into the AGM agenda, it should be penalized.

The shareholder of Catcher Technology previously submitted a proposal to the company for the 2023 AGM to amend the articles of incorporation, with the authorization change of surplus distribution and legal reserve distribution to be decided by the AGM. The board of the company believed that surplus distribution and legal reserve distribution belonged to the provisions of Articles 240 and 241 of the "Company Act" respectively, and the two were different matters, so it was believed that the shareholder's proposal exceeded one item and did not include it in the agenda of the AGM.

The legislative intent of Article 172-1 of the "Company Act" is to promote shareholders' participation in company operations through shareholder proposals. The article limits shareholder proposals to one item, with the purpose of avoiding excessive shareholder proposals, not granting the board of directors the power to arbitrarily exclude shareholder proposals. The purpose of the shareholder's proposal of Catcher Technology was to strive for dividends distributed by the investee company, which followed the same purpose of the aforementioned Article. After consulting with the MOEA, it was stated that the shareholder's proposal in this case did not exceed one item. Moreover, the company should treat small shareholder proposals with fairness based on the principle of good faith. Whether the proposal included in the meeting agenda can still be passed, it needs to be resolved by the AGM. Catcher Technology only relied on the opinions of external lawyers and directly interpreted the regulations to determine that the shareholder's proposal exceeded one item, and excluded it from being included in the agenda, which does not conform to the legislative intent of Article 172-1 of the "Company Act" and damages shareholders' right to make proposals. Therefore, the FSC imposed a fine of NT\$240,000 on the responsible person of the company at the time of the act in accordance with Paragraph 7 of the same article. However, the person being sanctioned was dissatisfied and filed an administrative appeal. On April 19, 2024, the Executive Yuan's administrative appeal decision stated that the FSC imposed relevant fines on the responsible person of the company at the time of the act, because Catcher Technology failed to include the shareholder's proposal in the agenda of the 2023 AGM. It did not conform to the legislative intent of the proviso of Paragraph 1, Article 172-1 of the "Company Act" and damaged shareholders' right to make proposals. After examination, there was no discrepancy, so the administrative appeal was rejected.

### 3. Cathay Securities Failed to Implement Internal Control Systems Related to Computer Systems and Network Control Procedures, and the FSC Imposed a Warning and a Fine of NT\$1.5 Million on the Company

In July 2023, Cathay Securities encountered two instances in which the electronic order placement system could not proceed with the requested transaction. After being investigated, it was found that the company had not implemented the internal control system. The FSC imposed a warning and a fine of NT\$1.5 million on the company in accordance with Article 66 and Article 178-1 of the SEA.

On the morning of July 5, 2023, Cathay Securities encountered the first instance where transactions failed in the electronic order placement system. Although the company carried out same-day urgent repairs, the company's system still encountered a second instance on the morning of July 10. After the TWSE conducted an on-site inspection of the company, the following deficiencies were found:

- a. The system connection mechanism parameters were not tested when the digital securities certification system went online.
- b. The application system stress testing operation was not properly implemented.
- c. The Internet order service quality operating rules did not include complete transaction security and stability regulations.
- d. The standard operating procedures for the recovery of the digital securities certification system failures were not formulated and implemented, plus records were not kept.
- e. The resource-sharing environment of the certificate virtual server was not considered, resulting in insufficient resource allocation for the database server of the digital securities certification system.

The Cathay Securities two consecutive instances of system abnormalities in a short period of time had led to a large number of investor complaints and affected customer rights and interests. After investigation, the aforementioned matters were due to the company's failure to implement internal control systems related to computer systems and network control procedures, which violated the provisions of Article 2, Paragraph 2 of the "Regulations Governing Securities Firms." Therefore, on August 31, 2023, the FSC imposed a warning and a fine of NT\$1.5 million on the company in accordance with Article 66, Subparagraph 1 and Article 178-1, Paragraph 1, Subparagraph 4 of the SEA. The TWSE had also issued a letter requesting the company to formulate an improvement plan and commissioned a third-party professional institution to provide a verification report. Follow-up tracked and guided its handling.

Securities firms are important intermediaries in the securities market. When providing trading services to customers, they should pay particular attention to information security management and compliance with laws and regulations in order to facilitate the smooth operation of the securities market and avoid the recurrence of similar situations. The FSC continues to maintain the stable operation of the financial market and protect investors' rights and interests.

#### 4. THS Insiders Used Others' Names to Hold THS Shares Without Reporting as Required, and the FSC Imposed a Fine of NT\$420,000

Compared with others, insiders of publicly issued companies have an advantage in obtaining the internal information of the company, and the transfer of their shareholdings has a certain impact on the company's operations and securities market transactions. Therefore, Articles 22-2 and 25 of Taiwan's SEA require that the shareholdings of such personnel should be disclosed. The FSC and judicial authorities continue to actively maintain close contact to investigate cases where insiders of TWSE/TPEX listed companies use others' names to hold shares, but fail to report as required, in order to improve corporate transparency and maintain market order.

In 2023, the FSC received a letter from the MJIB stating that Lin XX, an insider (major shareholder) of THS, was suspected of using his adult son's account to buy and sell the company's shares; however, Lin did not report the use of his son's name to hold shares. After the FSC closely liaised with the judicial authorities to obtain relevant account fund flows and checked the relevant account stock trading change information with the TDCC; it was found that Lin XX had not reported the use of others' names to buy, sell, and hold THS shares. Therefore, on March 1, 2023, the FSC imposed a fine of NT\$420,000 on Lin XX for violating the provisions of Article 25 of the SEA, in order to maintain market order and improve market development.



## 5. Fubon SITE and Prudential SITE Failed to Effectively Inspect and Supervise Their Former Managers Involved in Illegal Stock Trading Cases, with Serious Failure of Internal Controls, and the FSC Imposed Penalties and Ordered the Removal of Relevant Managers

The FSC has established both preemptive and post-event measures to prevent conflicts of interest for investment trust funds and discretionary investment managers. The preemptive mechanisms include (i) restrictions on personnel transactions and prohibitions on certain conduct, (ii) mandatory shareholding disclosures, and (iii) management of information and communication equipment. For example, fund managers, their spouses, underage children, or individuals trading under their name are prohibited from (i) purchasing or selling the same stocks that are invested in by the investment trust funds or discretionary accounts they manage, (ii) engaging in securities transactions based on insider information acquired through their position, and (iii) failing to submit monthly reports on their stock trading activities. The post-event monitoring mechanisms involve monthly self-assessment by SITEs to ensure compliance with relevant regulations regarding personnel shareholding disclosures. Additionally, if the TWSE/TPEX detects unusual trading activity in specific stocks, they will promptly verify whether it involves investment trust funds or discretionary accounts and will take immediate action and report any irregularities. Furthermore, the FSC conducts both regular and ad hoc financial examinations of SITEs. If it discovers abnormal stock trading activities involving fund (or discretionary account) managers or their related parties, the FSC will handle such cases in accordance with administrative procedures.

In 2023, the FSC's inspection found that former Fubon SITE fund managers Lin XX and Lai XX, during their tenure as fund managers, used the accounts of specific individuals to buy and sell the same individual stocks. This occurred during the period when the fund managers engaged in individual stock transactions based on information learned through their duties. They used their positions to find targets and conduct trading in the accounts of specific individuals. Lai XX also used another person's account to buy and sell stocks that were related to companies he had visited or reported on as part of his job. Furthermore, the personal transactions of the aforementioned two managers were not reported to the company, violating relevant regulations on personal transactions and prevention of conflicts of interest. In addition, when the FSC conducted a general business inspection of Prudential SITE, it was found that former Prudential SITE Greater China Investment Department Assistant Vice President Lai XX further used others' accounts to buy and sell the same individual stocks as the funds and discretionary accounts managed by Prudential SITE during his tenure, and did not report to the company as required.

The FSC, in accordance with administrative procedures, and in coordination with the TWSE/TPEX, conducted an investigation into the relevant account information. After reviewing all statements, facts, and evidence, it was determined that the internal control systems of Fubon Asset and Prudential were ineffectively designed and implemented. Specifically, the management of communication equipment used by investment personnel was found to be inadequate, and there was a failure to effectively monitor and supervise the personal trading activities of fund (or investment) managers, as well as to prevent conflicts of interest.

In this case, Fubon SITE was unable to effectively inspect and supervise the illegal personal trading behaviors of fund managers, and had major deficiencies in the design and imple-

mentation of internal control systems, failing to effectively prevent conflicts of interest. On September 12, 2023, the FSC imposed a warning and a fine of NT\$1.8 million on Fubon SITE, and ordered Fubon SITE to remove Lin XX and Lai XX from their positions. Prudential SITE was unable to effectively inspect and supervise the personal trading behavior of Lai XX, which constituted a major deficiency in the failure of internal control systems. It did not perform its duties with the care of a good administrator with fiduciary duty, and did not operate based on the principle of good faith, which obviously affected the normal execution of fund and discretionary investment businesses. On September 12, 2023, the FSC imposed a warning, a fine of NT\$1.2 million on Prudential SITE, and ordered Prudential SITE to remove Lai XX from his position. The FSC also simultaneously issued a letter requesting Prudential's head office to strengthen the supervision of its business in Taiwan, and implement the supervision of relevant personnel to comply with the provisions prohibiting conflicts of interest.

In light of the violations committed by Fubon Asset and Prudential, the FSC has introduced amendments to strengthen regulations for SITEs personnel, considering that SITEs are responsible for raising public funds to issue funds, and manage entrusted assets with a high level of integrity. These amendments include the addition of seven new measures and the enhancement of six existing measures to prevent conflicts of interest, as detailed in the table below. The FSC will impose strict penalties on companies and individuals found in violation to ensure the sound development of the asset management industry, maintain market order, and protect investors' rights and interests.

New Initiatives	Specific Contents
<b>Preventive Measures</b>	<ol style="list-style-type: none"> <li>1. Stipulate standard regulations for the internal control systems of SITEs.</li> <li>2. Study imposing fines on SICEs that fail to establish and implement internal controls, and increasing the upper limit of fines.</li> <li>3. Clearly stipulate the relevant regulations on the control of trading by SITE personnel and the management of information and communication equipment; in addition, further augment the position of the head of internal audit to increase the intensity of supervision.</li> <li>4. Add a code of conduct for fund managers and include it in self-regulatory rules.</li> <li>5. Strengthen the management of information and communication equipment through the use of technology.</li> <li>6. Rely on the support of related units to review the internal control and internal audit of SITEs.</li> <li>7. Discuss with securities-related units to establish a big data supervisory platform and optimize continually the inspection mechanism.</li> </ol>
<b>Enhancement Measures</b>	<ol style="list-style-type: none"> <li>1. Strengthen cooperation with prosecution units to prevent illegality.</li> <li>2. Promote the introduction of a responsibility map system for SITEs to improve the accountability system for senior executives.</li> <li>3. Implement "Know Your Employee" while providing appropriate timely care and assistance.</li> <li>4. Require businesses to regularly conduct publicity or education/training on conflict of interest transactions to instill a sense of ethics.</li> <li>5. Establish a reasonable compensation and reward/punishment system.</li> <li>6. Establish a specified section on the association's website to publicize behavior management cases through these three types of content: (i) common deficiency patterns, (ii) sanctions imposed by the FSC as well as judicial authorities, and (iii) the presentation of the best practice for SITE personnels.</li> </ol>

## 6. JKO SITE Failed to Fairly Treat all Fund Investors in the Allocation of Funds, and the FSC Imposed a Warning and a Fine of NT\$1.2 million

From August 3 to August 20, 2020, JKO Asset handled the allocation of the JKO S&P GSCI Brent Crude 2X Leveraged ER Futures ETF (the Crude 2X ETF). Every day, multiple participating securities firms and numerous institutional investors submitted large numbers of subscription applications. However, on August 6 and 7, 2020, the director Hu XX of JKO Asset personally decided to allocate them to First Securities (HK) and Fubon Securities (Hong Kong) Investment Account, two foreign institutional investors. This action was without any reason or basis to reject the applications of various participating securities firms and numerous other institutional investors. JKO Asset failed to fairly treat all fund investors in accordance with the company's internal control system and the "Regulations Governing Futures Trust Enterprises." The FSC imposed a fine of NT\$600,000 on September 29, 2020.

The FSC tracked the improvement of JKO Asset's aforementioned violations and found that during the period from October to December 2020, when JKO Asset handled the allocation of the Crude 2X ETF, there were multiple participating securities firms and numerous institutional investors submitting large numbers of subscription applications every day. However, under such request, JKO Asset hadn't conducted other relevant evaluation principles for such allocations, allowing the aforementioned two foreign institutional investment accounts to encompass 30% to 80% of the total allocation over several days. This action was without any reason or basis to reject the applications of various participating securities firms and numerous other institutional investors. In addition, according to the relevant volume of the indictment obtained by the FSC from the Taiwan Taipei District Prosecutors Office, which prosecuted JKO Asset's former director Hu XX and others for crimes such as breach of trust on September 1, 2022, it was found that Hu XX and others used the aforementioned two foreign institutional investment accounts to submit subscriptions, and JKO Asset preferentially allocated to the aforementioned two foreign institutional investment accounts according to the instructions of Hu XX.

The above facts showed that after receiving the FSC's sanction letter dated September 29, 2020, JKO Assets still failed to fairly treat all fund investors in accordance with the company's internal control system and the provisions of the "Regulations Governing Futures Trust Enterprises" during the period from October to December 2020, and was a repeat offender. Therefore, on June 20, 2023, the FSC increased the sanction and imposed a warning and a fine of NT\$1.2 million on JKO Asset.

## 7. Hung Han Ltd. Illegally Engaged in the Business of VASPs and was Fined by the FSC

The FSC supervises VASPs in accordance with the MLCA and the "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platforms or Transactions." This supervision ensures that business entities commence operations only after completing the compliance declaration as mandated by the MLCA. In the event of any regulatory violations by a VASP, the FSC will require the entity to make necessary improvements within a specified timeframe and will impose penalties if the entity fails to comply.

The FSC received intelligence from the MJIB in 2023, revealing that Hung Han Ltd. had been providing external virtual currency trading services without completing the compliance declaration required under the MLCA, thereby violating Article 17, Paragraph 1 of the relevant regulations. Consequently, the FSC, in accordance with Article 6, Paragraph 1 of the MLCA, ordered the company to make the necessary improvements within a specified timeframe. However, the company failed to comply within the deadline. As a result, the FSC imposed a fine of NT\$500,000 on Hung Han Ltd. in 2024, pursuant to Article 6, Paragraph 4 of the MLCA, to promote the sound development of the virtual currency platform and transaction industry, maintain market order, and protect public interests.

## B

## Major Enforcement Cases under Criminal Investigation

### 1. False Financial Reports – Hsin X Company Case Involving Hsu X and Others Suspected of Violating the Securities and Exchange Act (SEA) for False Financial Reports

Huang X served as the chairman of Hsin X Company, a company traded on the TPEX. Wu X and Chen X were the former and latter general managers. Li X was the deputy general manager of the General Management Division. Chang X was the manager of the Finance Department of the General Management Division. Tsai X was the deputy general manager of the Hemodialysis Division. Chiu X and Hsu X were the managers of the Central and Southern Regions of the Hemodialysis Division. Chiang X was the administrative assistant of the Central Region of the Hemodialysis Division. Chien X was the registered responsible person of Hsin X Company. Chou X was the administrative assistant of Caotun Chen X Clinic (responsible person: Chen X). Yu X was the responsible person of He X Clinic. Chen X and his sister Chen X were the actual responsible persons and accountants of Chin X Company Ltd. and Chih X Company Ltd., respectively. Tan X was the responsible physician of Taichung Ching X Clinic, Chuang X was the general affairs personnel of Miaoli Chung X Hospital, Chiu X was the physician of Taichung Chia X Clinic and had supported the hemodialysis business of Taichung Hsien X Hospital, Huang X was the COO of Chiayi Ching X Hospital and the responsible person of Yu X Company and Chia X Company, and Yin X was the responsible physician of Changhua Tzu X Clinic. Starting from 2011, clinics in central and southern regions (original transaction clinics) wanted to purchase medical equipment from Hsin X Company at low prices. These clinics all adopted approved tax amounts that had been assessed based on criteria within the industry, and did not need to include these invoices for accounting purposes. Chiu XX, Hsu XX and others colluded with Tsao Tun X Clinic, He X Clinic, Chin X Company, Chih X Company, Ching X Clinic, Chung X Hospital, Chia X Clinic, Hsien X Hospital, Ching X Hospital, Yu X Company and Chia X Company (counterfeit transaction clinics). This was done in order to increase the sales performance of their managed regions. Hsin X Company sold medical equipment to the original transaction clinics and issued false invoices to the counterfeit transaction clinics. From January 2011, to December 2019, the counterfeit transaction clinics evaded a total of NT\$14,160,646 in taxes. Tsai X, Chen X and others were suspected of violating the "Business Entity Accounting Act" and the "Tax Collection Act." In order to avoid violating the non-competition clause with upstream manufacturers, increase bidding opportunities, etc., Huang X and others deliber-

ately concealed that Hsin X and Yi X Company (registered responsible person: Gao X) were both actually controlled by Hsin X Company and were related parties regulated by financial reports. In order to create the appearance of input and output transactions between the two companies, starting from April 2012 and July 2013, respectively, they began issuing false invoices in the name of Yi X Company and Hsin X Company to the aforementioned counterfeit transaction clinics, with a total amount of NT\$58,973,588. However, the relevant medical equipment was actually shipped by Hsin X Company to the original transaction clinics. Huang X and others were suspected of violating the SEA. The case was investigated and transferred by the Southern Mobile Team and prosecuted by the Taiwan New Taipei District Prosecutors Office.

## 2. Insider Trading - Ya X Company Suspected of Illegal Activity

Yao X was the chairman of Ya X Company and a person with decision-making power who could control the relevant processes of land disposal and joint investment plus construction projects, belonging to the person restricted from trading as in Article 157-1, Paragraph 1, Subparagraph 1 of the SEA. Lin X was the financial and securities account order placer of Kuo X Construction Company actually controlled by Yao X. On November 25, 2020, Chen X, the deputy manager of Kuo X Construction Company's Finance Department, participated in the board meeting of Chia X Company, this person was restricted from trading stipulated in Article 157-1, Paragraph 1, Subparagraph 3 of the SEA. Yao X used the securities accounts of his unaware friend Huang X, his spouse's nephew Chou X, and instructed Lin X to use the securities account of Kuo X Construction Company, and Chen X used his own securities account to heavily buy Ya X Company's stocks after the material information became clear and before it was made public, suspected of violating the SEA. The case was investigated and transferred by the Taipei City Investigation Office and prosecuted by the Taiwan Taipei District Prosecutors Office.

## 3. Insider Trading – Kao X Company Stocks Suspected of Insider Trading

Kao X Company, a company traded on the TPEX, announced bullish news in 2020. Wang X Hsiung was the representative appointed by M Company and a direct participant in this case. Liu X Wu was a physician at the Research Institute of the XX Institute and also a participating member of the expert review meeting, belonging to an internal participant. Shih X Fang was Liu X Wu's spouse and currently a physician at the XX Hospital. When Wang X Hsiung, Liu X Wu, and Shih X Fang actually learned of the bullish news, and knowing that they were not allowed to buy or sell the company's stocks, and still having the intent to obtain personal illegal gains through insider trading, before the news was made public, Wang X Hsiung used his own securities account to buy Kao X Company's stocks by telephone order. After the news was made public, they sold all of the stocks, illegally profiting NT\$16,887. After Liu X Wu learned of the news, he informed his spouse Shih X Fang, who bought Kao X Company's stocks by telephone order on the day the news was made public, and sold all of them, illegally profiting NT\$151,000, being suspected of insider trading. The case was investigated and transferred by the Taipei City Investigation Office and prosecuted by the Taiwan Shilin District Prosecutors Office.

#### 4. Stock Price Manipulation – Hsu X Liang and Others Suspected of Manipulating Cheng X Company’s Stock Price Case

Ma X Ling of Cheng X Company, a company traded on the TWSE, and 9 speculators including Hsu X Liang colluded and used 37 securities accounts of 3 companies, and 22 natural persons to cooperate with each other and engage in matched trades to push up, maintain, and manipulate Cheng X Company’s stock price during the following three analysis periods: from October 1, 2016 to February 28, 2017; from March 1, 2017 to September 15, 2017; and from September 16, 2017 to December 31, 2017; repeatedly trapping market investors. The case was investigated and transferred by the Taipei City Investigation Office and prosecuted by the Taiwan Taipei District Prosecutors Office.

#### 5. Stock Price Manipulation - Kuan X Electric Company's Stock Price was a Manipulated Case

Tsai X Hu was the actual responsible person of Tung X Company. Tsai X Cheng was Tsai X Hu’s son and the responsible person of Kuan X Electric Company, a company listed on the TWSE. Tsao X Chiang was Tsai X Hu’s friend and assisted in handling stock investment matters. Yang X Ping was Tsai X Hu’s company employee and assisted Tsai X Hu in handling personal stock investment trading and settlement fund allocation matters. In order to protect Kuan X Electric Company’s stock price between NT\$30 and NT\$40 per share, and maintain the collateral ability of their pledged stocks, they jointly contacted with the intent to create the appearance of active trading of Kuan X Electric Company’s stocks and manipulated the stock price. During the three periods from March 30, 2017 to July 27, 2017; from February 21, 2018 to April 30, 2018; and from May 24, 2021 to September 10, 2021; they used 16 securities accounts of natural persons and legal persons to speculate on Kuan X Electric Company’s stock price, illegally profiting NT\$26,405,319. The case was investigated and transferred by the Northern Mobile Team and prosecuted by the Taiwan New Taipei District Prosecutors Office.

### C

#### Major Enforcement Cases under Civil Liability Actions

A collection of significant civil cases filed by the SFIPC in 2023 are detailed below:

##### 1. Keysheen (Cayman) Holdings Co., Limited (Keysheen) Insider Trading Case

In 2021, Keysheen disposed of its Shanghai factory land assets, causing its overall operating scale to shrink. Under the impact of the COVID-19 pandemic, the production and sales of its Vietnam factory were also affected. In order to protect shareholders’ rights and interests, restructure internal operations, and adjust future business direction, Keysheen planned to terminate its listing and stop public issuance first, and have the company’s directors jointly acquire the stocks. Keysheen then convened a board meeting on September 3, 2021, and passed a resolution to conduct a cash capital reduction. On October 15, 2021, at 15:00, an audit committee convened to select independent experts to provide opinions on the reasonableness of the stock repurchase price, and whether the plan to apply for ter-

mination of listing was in line with the overall interests of shareholders. Subsequently, Keysheen assembled an audit committee on November 10, 2021, at 14:00 and passed a resolution on the company's termination of listing, and then held a board meeting at 15:00 on the same day, and passed this case with a repurchase price of NT\$76 per share. Defendant Lin XX, a director of Keysheen, participated in the discussion of relevant topics of this case at Keysheen's director symposium on October 26, 2021, and signed a non-disclosure agreement, thus actually knowing the material information in dispute. Defendant Lu XX, a friend of Lin XX, was informed of the material information in dispute. Before the material information in dispute became precise and prior to the public disclosure, or within 18 hours after its public disclosure, the two defendants, with the intent of insider trading, bought Keysheen's stocks by telephone order, obtaining illegal benefits of NT\$1,276,651 and NT\$2,186,970, respectively. On August 10, 2022, the Taiwan Taipei District Prosecutors Office prosecuted the two defendants for the alleged crime of insider trading, and the Taiwan Taipei District Court (Taipei District Court) convicted the two defendants with a final and binding judgment on December 23, 2022.

In this case, the above-mentioned acts of the two defendant directors of Keysheen, Lu XX and Lin XX, violated the regulations on insider trading. In May 2023, the SFIPC filed a discharge suit with the Intellectual Property and Commercial Court in accordance with Article 10-1 of SIFTPA to request the disqualification of defendant Lin XX from his position as a director at Keysheen. In addition, defendant Lu XX was also a director of Yuan Jen Enterprises at the time of the act, so the SFIPC also filed a lawsuit in May 2023 in accordance with the provisions of the "Securities Investor and Futures Trader Protection Act" (SIFTPA) to request the disqualification of Lu's director position at Yuan Jen Enterprises.

## 2. UBI Pharma Inc. (UBI Pharma) Insider Trading Case

Ubi Pharma announced the bearish news that "the COVID-19 vaccine UB-612 did not obtain the special manufacturing approval (Emergency Use Authorization [EUA]) of the Taiwan Food and Drug Administration," that had a significant impact on Ubi Pharma's stock price on the Market Observation Post System at around 17:12 on August 16, 2021. However, on August 15, 2021, when the executive vice president and medical affairs manager of the parent company United Biomedical, Inc., Asia (United Biomedical) attended the expert review meeting of the UB-612 vaccine on behalf of United Biomedical, they learned that the review had failed. The executive vice president leaked this bearish news to the secretary, and the secretary then told her father. The aforementioned four people then engaged in insider trading by internet order prior to the public disclosure the bearish news, thus avoiding huge losses. On October 2022, the Taiwan Hsinchu District Prosecutors Office prosecuted the four defendants for the alleged insider trading.

In May 2023, the SFIPC announced the acceptance of investor registration for compensation based on the illegal facts stated in the criminal indictment, and in October 2023, it filed a class action litigation against the criminal wrongdoers in accordance with Article 28 of SIFTPA, requesting compensation for damages.

### 3. Billinton Systems Inc (Billinton) False Financial Statements and Stock Price Manipulation Case

Billinton's former director(s) instructed others to arrange circular transactions between Billinton and the following companies: Unimix, Advantage, Value, Billinton, Oxford, and Suzhou Billinton; which were under the actual control of Billinton's former director. This falsely increased Billinton's revenue, and related party transactions were not disclosed, which were alleged of using non-arm's length methods to make Billinton engage in circular transactions and prepare false financial statements. In addition, Billinton's former director(s) instructed others to use 15 securities accounts to continuously buy at high prices and sell at low prices to complete the corresponding transactions, according to the prices and quantities instructed by Billinton's former director(s) from July 1, 2020 to October 21, 2021. This dispersed the buying orders to wait for opportunities to push up Billinton's stock price, causing it to rise from the closing price of NT\$21.90 per share on July 1, 2020, to NT\$43.4 per share on October 21, 2021. The increase and volatility was far greater than that of similar stocks and the market index during the same period. On July 31, 2022, the Taiwan Taipei District Prosecutors Office prosecuted the aforementioned involved parties for alleged violations of Article 171, Paragraph 1, Subparagraph 1 of the SEA for false financial statements and stock price manipulation.

On January 16, 2023, the SFIPC filed a discharge suit with the Intellectual Property and Commercial Court in accordance with Article 10-1 of SIFTPA to disqualify two directors in the aforementioned context from their director positions at Billinton.

### 4. Electric Power Technology Limited (EPTL) False Financial Statements Case

The defendants were alleged of: (i) concealing related party transactions; (ii) manipulating financial statements; (iii) arranging non-arm's length transactions; (iv) not disclosing major unfavorable transaction conditions and arbitrarily changing favorable transaction conditions for EPTL; (v) plundering EPTL's assets by disposing of land; (vi) arranging EPTL's related companies to issue huge special bonuses; (vii) arbitrarily using EPTL's funds to pay seminar fees for other companies; and (viii) using EPTL's funds to pay employee salaries for other companies. This resulted in EPTL's false financial statements and caused significant damage to EPTL, as well as insider trading, spreading rumors to manipulate stock prices, unlawful acts. In April 2022, the Taiwan Taipei District Prosecutors Office prosecuted the defendants for the alleged crimes of reporting and announcing false information, making unfavorable transactions for the company, false registration in the course of business, special breach of trust, manipulating stock prices by spreading false rumors, and insider trading.

In September 2022, the SFIPC announced the acceptance of investor registration for compensation based on the illegal facts stated in the criminal indictment. Later, in November 2022, it filed a class action litigation with the Intellectual Property and Commercial Court against the criminal wrongdoers in accordance with Article 28 of SIFTPA, requesting compensation for damages.

For the damages caused to the company, the SFIPC filed a civil supplementary lawsuit requesting compensation for damages against the defendants with the Taipei District Court in October 2022, attached to the criminal case.

The above-mentioned acts of EPTL's responsible persons, the criminal defendants in this case, have already violated the regulations. In August 2022, the SFIPC filed a lawsuit with the Intellectual Property and Commercial Court in accordance with Article 10-1 of SIFTPA to request the disqualification of these responsible persons' director positions at EPTL.

## **5. XPEC Entertainment INC. (XPEC) False Financial Statements and Prospectus, Stock Price Manipulation, Insider Trading, and Breach of Tender Offer Contract Case**

XPEC's chairman and others were alleged of using dummy corporations to subscribe to XPEC's private placement common shares since 2013. They were also alleged of taking advantage of XPEC's acquisition of Tiny Piece Company (TP Company) and simultaneous company equity since 2014, to falsely increase the value of equity and formulate a private agreement to sell the XPEC shares held by their dummy corporations, selling them back to TP Company's equity in a non-arm's length manner and engaging in false transactions between XPEC and Longmen Company. They failed to accrue relevant asset impairment in XPEC's financial statements and disclose related party transactions, resulting in false information in XPEC's financial statements from the third quarter of 2014 to the second quarter of 2016. These false financial statements were cited in the prospectus when issuing XPEC's sixth convertible bonds in 2016. In addition, XPEC's chairman and others manipulated XPEC's stock price multiple times from 2015 to 2016 by continuously buying and selling to complete the corresponding transactions, and also conducted breach of tender offer contract in 2016 and took this opportunity to engage in insider trading. On January 23, 2017, the Taiwan Taipei District Prosecutors Office prosecuted these wrongdoers for alleged crimes of false financial statements, stock price manipulation, insider trading, securities fraud and other crimes.

In February 2017, the SFIPC announced the acceptance of investor registration for compensation based on the illegal facts stated in the criminal indictment. In August 2017, it filed a class action litigation with the Taipei District Court against XPEC, the wrongdoers, directors, supervisors, president, CFO, accounting supervisor, certifying CPAs, certifying CPA firm and securities underwriters who signed the false financial statements in accordance with Article 28 of SIFTPA, requesting compensation for damages.

Subsequently, the Civil Court Division of the Taipei District Court made a partial judgment in advance with (2017) Financial Case No. 76 on April 30, 2018, finding some of the wrongdoers liable for NT\$2,247,662,841. After obtaining the court's certificate to the effect that the judgment has become final and binding, the SFIPC applied for compulsory enforcement with the Taipei District Court on October 23, 2018. Later, the Civil Court Division of the Taipei District Court made another judgment with (2017) Financial Case No. 76 on July 21, 2023, finding some of the wrongdoers liable for up to NT\$2,844,728,884 for stock price manipulation and breach of tender offer contract, and NT\$108,521,511 for insider trading. The SFIPC filed an appeal on September 5, 2023, for false financial statements and stock price manipulation. The entire case is currently pending trial at the Civil Court Division of the Taiwan High Court and has not been final and binding.

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

2023

- Implementation of VASPs Supervision and Related Improvement Measures in Taiwan
- Implementation of Combating Investment Fraud Advertisements and Related Measures in Taiwan
- Implementation of Annual Reports Improvement for Shareholder Meetings and Strengthening Sustainability Information Disclosure plus Related Measures in Taiwan



All participants in the securities and futures market must comply with the SEA and its associated regulations. Effective enforcement ensures compliance with the aforementioned laws while maintain the order of the financial market. However, in the enforcement process, regulatory authorities must face challenges brought by external changes and adopt appropriate supervisory measures to assist businesses in transforming and responding in a timely manner with the aim to continuously improve the market and protect investor interests.

Given the rapid growth in financial technology, virtual assets have become a sunrise industry worldwide. Therefore, VASPs management should further align with the international regulatory organizations and foreign regulatory authorities. In 2023, the FSC strengthened the supervision of such businesses in a gradual manner to further assist industrial development as well as the protection of customer rights. Under these efforts, the FSC would reinforce the AML adoption to advance domestic financial technology competitiveness in the global market.

Moreover, investment fraud related to securities has been rampant in recent years. The FSC has previously adopted relevant warning and publicity measures, deepened cooperation with the Criminal Investigation Bureau (the CIB), and continued to handle the issuance of whistleblower rewards to encourage such behavior. In 2023, the FSC amended laws to prohibit investment fraud advertisements while cooperated with the CIB to constantly communicate measures to strengthen online platform internal review mechanisms with such providers. The FSC will also continue to enhance the businesses management and investor protection with stricter regulations and penalties.

As international sustainability concepts remain hot topics, annual reports and sustainability reports are key channels for investors and various stakeholders to understand and examine domestic information disclosure. To prevent greenwashing and augment the quality of such disclosure by TWSE/TPEX-listed companies, the FSC not only supervises the TWSE and TPEX to improve the review mechanisms for these essential reports, but also strengthens companies' management of sustainability information as well as the optimization to sustainable governance structures. Ultimately, these actions will enhance public trust in companies, strengthen their competitiveness, and lead TWSE/TPEX listed companies toward sustainability.

The below information showcased the domestic measures in response to such requirements for augmenting the supervision of VASPs and securities investment fraud, as well as refining sustainable information disclosure.

**A****Implementation of VASPs Supervision and Related Improvement Measures in Taiwan**

The FSC was appointed by the Executive Yuan in March 2023 to serve as the regulatory authority for virtual assets with financial investment or payment nature. In light of the trend among international regulatory organizations and foreign regulatory authorities to deepen VASPs management continually, the FSC has strengthened the management of domestic virtual asset platforms along with the protection of customer rights and interests in a gradual manner. On September 26, 2023, the FSC released the "Financial Supervisory Commission Guiding Directions for the Administration of Virtual Asset Platform or Transaction Service Providers (VASP)" (VASPs Directions)" and assisted VASP providers in promoting

industry self-regulation. The relevant VASP associations formulate self-regulatory rules based on the guidelines which led the providers to ultimately strengthen internal controls and further enhance the protection of customer rights and interests.

### 1. Current AML Supervision of Domestic VASPs

- a. Regarding the AML supervision of VASPs, in accordance with the “Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platform or Transaction” released by the FSC on June 30, 2021, VASPs must complete the declaration of compliance with MLCA and pertinent regulations in the documents, information and methods designated by the FSC. If an operator fails to complete the aforementioned declaration and engages in virtual asset activities, or is found to have failed to implement AML measures, the FSC can request it to make improvements within a time limit in accordance with the MLCA. If it fails to make improvements within the appropriate time, it shall be penalized between NT\$500,000 and NT\$10 million.
- b. If a natural person engages in virtual currency activities as a business, he/she must register their business and tax registration complied with the relevant provisions of the “Business Registration Act” as well as the “Regulations Governing Taxation Registration.” They should proactively complete the declaration of compliance with MLCA with the FSC before engaging in virtual currency activities. If the FSC receives notification from various agencies indicating that a natural person was engaging in virtual currency activities as a business without completing the declaration of compliance with the MLCA, the FSC shall investigate the case in accordance with the aforementioned regulations. However, if the natural person in question has not completed the establishment registration of a domestic enterprise, there would be no fixed registered address for investigation, which would render an investigation challenging as to confirm such continuation in these business activities.
- c. Offshore businesses engaging in virtual currency activities in Taiwan must also register a branch or company in accordance with the provisions of the “Company Act” and complete the declaration of compliance with MLCA to the FSC before engaging in virtual currency activities. If the FSC receives notification from multiple agencies of offshore providers engaging in virtual currency activities as a business without completing the declaration of compliance with MLCA, while such providers were involved in failing to complete the establishment registration in accordance with the provisions of the “Company Act,” they should bear relevant criminal responsibilities. Nonetheless, the FSC would transfer the case to the prosecution units for investigation.
- d. In addition, to ensure such businesses all continually comply with the regulations on AML and CFT, the FSC refers to Recommendation 15 of the FATF Methodology and stipulates a regulation that if there are any changes to the original declared matters, such stipulated business must inform the FSC of relevant information before any initiative action.

- e. Considering that VASPs are a sunrise industry and VASPs development direction of VASP supervision is still ongoing in worldwide regulatory authorities, the FSC would first supervise the VASPs associations to formulate relevant self-regulatory rules through industry self-regulation at the current stage, guiding providers to strengthen internal controls and improve the protection of customer rights and interests.

## 2. Gradually Promoting VASPs Supervision

### a. Formulating Guidelines

To strengthen industry self-regulation and information disclosure transparency, the FSC formulated the “VASPs Directions” on September 26, 2023. These guidelines not only referred to the regulatory norms of international organizations such as IOSCO and IMF plus countries’ authorities such as the EU, the US, and Japan, but also adopted the interview contents from domestic VASP providers. According to the aforementioned assessments, it adapted a guideline equipped with key aspects for providers to follow and implement AML: (i) the issuance review mechanism, (ii) listing/delisting of virtual assets, (iii) the separation and custody of assets, including legal tender and virtual assets, (iv) transaction fairness and transparency, (v) implementation of AML and CFT, (vi) customer rights and interests protection, which covers contract formulation, advertising solicitation and complaint handling, (vii) information security, (viii) management of operating systems and hot/cold wallets, (ix) information disclosure, and (x) institutional inspections.

### b. Advocating the Formulation of Self-Regulatory Rules by Relevant VASP Associations

The MOEA amended the “Criteria of Classification of Commercial Groups” of the “Commercial Group Act” on November 27, 2023, supplementing the group category and business scope of “Virtual Asset Service Providers,” VASPs had applied for the establishment of associations; Subsequently, the FSC proactively supervises the associations to formulate self-regulatory rules based on the “VASPs Directions” and added penalty provisions to strengthen self-regulation.

### c. Assessing an Amendment to the Registration System in the MLCA and Formulating Relevant Sub-Laws in Coordination with the “Fraud Prevention Act” (Tentative Translation)

The FSC has suggested the MOJ to amend provisions on AML registration system for VASPs and pertinent criminal penalties for violations in the draft amendment to Article 6 of the MLCA, so as to be a sublaw regulating the registration system. Furthermore, the FSC will assess and formulate relevant sub-laws on the “Fraud Prevention Act,” of which the relevant authority is Ministry of Interior (the MOI), including the following factors to prevent fraud and potential deception occurred among VASPs: (i) customer identity verification, (ii) continuous review, (iii) account control, (iv) preservation of suspicious transaction information, and (v) notification to judicial police agencies.

Considering that virtual asset prices are highly volatile and speculative, the FSC will continue to track and refer to international regulatory trends and strengthen the protection of domestic customers’ rights and interests by such providers in a gradual manner, and continue to urge domestic VASPs to implement AML work.

## Implementation of Combating Investment Fraud Advertisements and Related Measures in Taiwan

### 1. Implementation of Combating Investment Fraud Advertisements in Taiwan

In recent years, securities investment fraud has been rampant. In order to suppress false online securities investment advertisements at the source, the FSC has added the anti-fraud strategy of “amending laws and regulations to regulate online securities investment advertisements” in coordination with the “Advanced Anti-Fraud Strategic Action Framework 1.5” released by the Executive Yuan on May 4, 2023. The FSC had been assessing the addition of Articles 70-1 and 113-1 to SITCA to explicitly prohibit illegal securities investment advertisement patterns and stipulate that a real-name system should be adopted. At the same time, it requires internet platform providers to assume review responsibilities for securities investment advertisements and provides judicial police agencies with a legal basis to investigate illegality. The relevant provisions were promulgated and implemented on June 28, 2023. The amendment key points and benefits are explained as follows.

#### a. Key Points of the Amendments

- i. Stipulating prohibited actions for securities investment or business solicitation advertisements by non-licensed businesses, including (i) misleading people to believe it was a licensed operating business, (ii) engaging in customer solicitation or investment inducement when conducting investment analysis, (iii) misusing celebrity names for recommendation, and (iv) soliciting or inducing securities investment, and other relevant matters.
- ii. Requiring internet platform providers to inform the entrusting publisher and the funder when publishing or broadcasting advertisements involving securities investment.
- iii. Requiring the aforementioned providers to take action if illegal behaviors are detected in published advertisements: (i) removal, (ii) browsing restriction, (iii) stop broadcasting, and (iv) take other necessary measures to such advertisements actively, or within the time limit notified by judicial police agencies.
- iv. Stipulating that internet platform providers violating the regulations must be jointly liable for damages to those who suffer losses due to reliance on misleading advertisement content or fraud.
- v. Stipulating that judicial police agencies may impose penalties on internet platform providers who have received their cease and desist notification, but failed to take down illegal advertisements within the time limit.

**b. Benefits of the Amendments**

- i. To terminate investment fraud advertisements from the source, the FSC explicitly authorizes judicial police agencies to notify internet platform providers to take down illegal advertisements within a time limit, and impose administrative sanctions on internet platform providers if it fails to cooperate.
- ii. To cease the broadcasting of fraudulent advertisements, the FSC explicitly authorizes internet platform providers to address published or broadcasted illegal advertisements proactively and obligates them to handle such advertisements within the time limit notified by judicial police agencies.
- iii. The amendments introduce a new requirement for internet platform providers, mandating them to verify the identity of the entrusting publisher to ensure compliance with the regulations. This measure aims to enhance the transparency and public accessibility of online advertisement information, preventing anonymous advertisers from evading responsibility for their actions.

**2. Notification from Takedown Effectiveness and Related Improvement Measures**

- a. Proactively Collecting and Reporting Illegal Advertisements: In addition to multiple meetings with Google and Meta to discuss potential adoptions of advertisement review, the FSC had requested security-peripheral organizations to proactively search for suspected fraudulent securities investment advertisements on the internet through information retrieval since April 10, 2023. As of the end of May 2024, a total of 41,400 such suspected advertisements had been collected and reported. Advertisements violating Article 70-1 of SITCA were immediately transferred to judicial police agencies, who notified internet platform providers to takedown such contents within 24 hours in accordance with the law.
- b. Future Strengthening Direction: The Executive Yuan had amended a specific chapter on “Digital Economy Anti-Fraud Measures” in the draft “Fraud Prevention Act,” designating the Ministry of Digital Affairs (MODA) as the competent authority for internet advertising platform providers. The Draft was passed in the Executive Yuan meeting at May 9, 2024 and sent to the Legislative Yuan for deliberation. With the objective of augmentation of management to internet advertising platform providers, the Draft goal is to stimulate several stricter regulations and heavier penalties for violators on the (i) anti-fraud obligations of such providers, (ii) data preservation and provision responsibilities, (iii) responsibilities of legal representatives in Taiwan, (iv) real-name system for advertisements, and (v) identity verification mechanisms for advertisers.



## Implementation of Annual Reports Improvement for Shareholder Meetings and Strengthening Sustainability Information Disclosure plus Related Measures in Taiwan

### 1. Implementation of Annual Reports Improvement for Shareholder Meetings in Taiwan

The FSC amended the “Regulations Governing Information to be Published in Annual Reports of Public Companies” on November 10, 2023, to further enhance the transparency of director remuneration information of listed companies, the sustainability information disclosure and the stakeholders engagement. The key points are shown as follows:

#### a. Expanding the Scope and Conditions for TWSE/TPEX Listed Companies to Disclose Individual Director Remuneration

To encourage profitable companies to share operation results with employees, three additional conditions for disclosing individual director remuneration were amended. These amendments focused on the transparency of director remuneration, as well as its fairness to employee salaries, which include:

- i. The most recent CGE result of TWSE/TPEX listed companies is expanded from the originally stipulated last level to the “last two” levels;
- ii. TWSE/TPEX listed companies who fell under “net profit after tax increased by 10% or more in the most recent year, but the average annual salary of full-time non-managerial employees did not increase”; and,
- iii. TWSE/TPEX listed companies who fell under “net profit after tax declined by 10% or more and exceeded NT\$5 million in the most recent year, and the average remuneration per director (excluding concurrent employee remuneration) increased by 10% or more and exceeded NT\$100,000.”

#### b. Strengthening Sustainability Information Disclosure

To encourage corporate net zero transformation, the FSC had previously required listed companies to disclose climate-related information in annual reports and sustainability reports with reference to the Task Force on Climate-related Financial Disclosures (TCFD). This amendment to the annual report added the requirement for listed companies to disclose their GHG reduction base year, reduction targets, strategies and action plans in stages starting from 2025. The TWSE and TPEX have also amended the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE/TPEX Listed Companies,” requiring listed companies to disclose the aforementioned information in sustainability reports as in annual reports.

### **c. Gradually Promoting Companies to File Annual Reports in Advance**

To facilitate investors' reference for voting on various proposals at the shareholders meeting, the original regulation has required certain listed companies—paid-in capital of NT\$10 billion or more and foreign shareholding of 30% or more—to file their annual reports fourteen days prior to the shareholders meeting. As for the new amendment, it lowered the required capital amount to those of NT\$2 billion or more and requested they implement the same aforementioned action. In the future, it would gradually require all TWSE/TPEX listed companies to file their annual reports in advance.

## **2. Deepening Sustainable Governance Culture and Augmenting the Sustainability Information Quality**

International investors and various stakeholders are increasingly concerned about corporate sustainability issues. Currently, annual reports and sustainability reports are key channels for domestic companies to disclose such information and serve as essential references for external parties to evaluate corporate sustainability performance when it comes to investment and financing decisions.

Except for the continual encouragements of first developing corporate disclosure of sustainability information and second assisting companies in implementing sustainable development in accordance with two policies—the “Sustainable Development Roadmap for TWSE/TPEX Listed Companies” and “Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies”—the FSC promoted relevant enhancement measures in order to strengthen the sustainability information quality disclosure by listed companies and prevent greenwashing. These measures are detailed as follows:

### **a. Deepening Corporate Sustainable Governance Culture**

With the objective of successfully forging a due attention from companies to sustainable governance and implementing it thoroughly, the FSC supervised the TWSE and TPEX to release a reference example of the “Organizational Charter of the Sustainable Development Committee” in March 2024. This Charter leads listed companies to establish a sustainable development committee to supervise sustainable development-related matters and report to the board. Moreover, to improve and strengthen the responsibility of listed companies and their boards for the preparation of sustainability reports, the TWSE/TPEX jointly amended the “Rules Governing the Preparation and Filing of Sustainability Reports,” which stipulated sustainability reports should be approved by the board also included as a bonus item in the CGE. Ultimately, these actions could optimize the supervisory function of the board over sustainable governance.

### **b. Including Sustainability Information Management in the Internal Control System**

To strengthen companies' management of sustainability information and improve the reliability of sustainability information, the FSC amended and promulgated the “Regulations Governing Establishment of Internal Control Systems by Public Companies” in April 2024. The amendment requires listed companies to include sustainability infor-

mation management in the internal control system and list it as a necessary annual audit item, from which the relevant provisions will be implemented starting from 2025. The TWSE and TPEX have also revised the “Sample Template of Reference Items for Assessing the Effectiveness of Internal Control Systems” to assist companies in establishing an internal control system for sustainability information management in accordance with their established in-house systems.

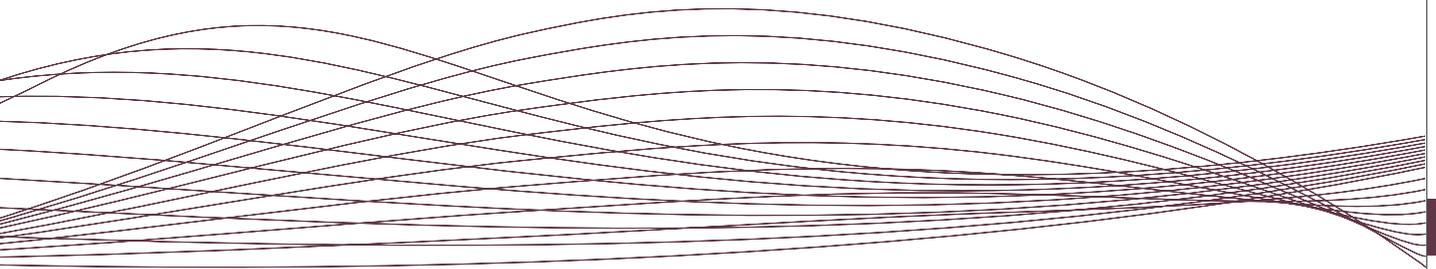
**c. Strengthening the Review Mechanisms for Annual Reports and Sustainability Reports to Improve the Sustainability Information Quality**

- i. To urge listed companies to prepare annual reports in accordance with regulations, the TWSE/TPEX randomly inspect 20% of companies for annual report review and further conduct key reviews on 25% of these companies. The key review items are assessed and updated annually based on policy promotion and actual situations. The key review items in the 2023 assessment of annual report include five items: (i) board functions, (ii) remuneration policies and payment situation, (iii) board evaluation, (iv) implementation of sustainable development, and (v) information security management. For companies with incomplete disclosure in the annual report, the TWSE and TPEX have assisted them in making corrections and have requested they focus on improving their disclosures. Both exchanges also continue to strengthen companies’ compliance with laws through business promotion while assisting companies in improving the completeness of annual report disclosure.
- ii. The review results of the 2022 and 2021 sustainability reports were announced on the official websites of the TWSE and TPEX for external reference. In addition, in response to recent major labor safety and environmental safety incidents involving TWSE/TPEX listed companies, the FSC has supervised the TWSE and TPEX to continue expanding the breadth and depth of sustainability report review. Listed companies are selected as reviewed companies at least once every five years, and designated companies for review are selected for in-depth inspection based on the industry nature of listed companies while using the risk-based approach (RBA). If major disclosure deficiencies in sustainability information are found, the TWSE/TPEX imposes breach of contract fines and requests the company to update and correct. If necessary, the company is also required to formulate an improvement plan for the sustainability report preparation process, have their CSO complete a certain number of training hours, and may be listed as a cautionary tale for CGE point deduction.

**d. Strengthening the Management of Sustainability Report Assurance Institutions**

If the deficiency items disclosed in the company's sustainability report are required to obtain assurance, the TWSE and TPEX should review the working papers of the assurance institution to examine whether the assurance procedures comply with regulations. If deficiencies are involved, the company is requested to pay attention to improvements in the future. In serious cases, the acceptance of or agreement with the request may be suspended or disapproved for a certain period of time.

Improving the sustainability information quality not only helps prevent greenwashing, but also enhances public trust in companies and establishes good corporate reputation and market competitiveness. The FSC continues to access international sustainable development trends, combine domestic and foreign practical experience, and constantly improve relevant policies to assist listed companies incorporate sustainable practices into their corporate culture.



## Appendix

2023

- Appendix I: Key Amendments to Relevant Laws and Regulations in Taiwan's Securities and Futures Markets in 2023
- Appendix II: Information on the Law Enforcement Results of the TWSE, TPEX, and TAIFEX
- Appendix III: Statistics on Administrative Sanctions Imposed by the SFB from 2019 to 2023



### A. Amendments to SEA and Related Regulations: Strengthening Corporate Governance through Enhanced Audit Committee and Board Functions

1. In order to encourage companies to implement the supervisory functions of the audit committee, and to avoid affecting the operation of major financial and business matters of the company when the audit committee is unable to convene, the FSC drafted amendments to some provisions of the SEA, which were promulgated and implemented by the President on June 28, 2023. These amendments key points are as follows:
  - a. Based on the defined material matters such as (i) filing lawsuits against directors; (ii) convening shareholders meetings; and (iii) representing the company when directors engage in self-dealing transactions; they should be fully and comprehensively discussed through the collective decision-making of the audit committee, with such consideration, it was also stipulated on the laws.
  - b. To prevent any impact on the company's operations, the amendment stipulates that if the company has valid reasons for the audit committee's inability to convene, it should submit such matters to the board for resolution. However, for financial reporting matters, when submitting to the board, the opinions of independent directors should still be attached to implement their responsibilities as members of the audit committee. In addition, in order to urge companies to implement the administrative management purpose of corporate governance, relevant penalty provisions were added.
2. In line with the promulgation of the aforementioned regulatory amendments and to improve the meeting procedures of both the audit committee and the board—to perform their functions and enhance corporate governance—on January 11, 2024, some provisions of the “Regulations Governing the Exercise of Powers by Audit Committees of Public Companies” (the Audit Committee Regulations) and Articles 12 and 13 of the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” (the Board Meeting Regulations) were amended. The amendments key points are as follows:
  - a. Corresponding to the amendments to Articles 14-4 and 14-5 of the SEA, the procedural requirements were established for the selection of corporate representatives in two critical matters: (i) filing lawsuits against directors, and (ii) directors representing the company and engaging in self-dealing transactions. Such selection requires approval by more than half of all audit committee members, with discretion granted to the committee to designate individual or joint representation. Furthermore, in instances where the audit committee is unable to convene due to justifiable circumstances, financial reporting matters must obtain the consent of independent directors prior to board submission.

- b. In accordance with practical operational requirements, the following five rulings were promulgated: (i) enhancement of audit committee convening and meeting procedures; (ii) establishment of principles for selecting appropriate time and venue to facilitate audit committee member attendance; (iii) designation of the Independent director receiving the highest number of votes as convener, in the absence of a formal election; (iv) authorization for a majority of audit committee members to convene a meeting *sua sponte*, should the convener fail to do so; (v) implementation of procedural frameworks addressing meeting postponement, suspension, and proxy chair selection in the event of the chair's inability to preside due to justifiable circumstances.
- c. To enhance board meeting procedures, provisions were enacted stipulating that postponed board meetings shall still be convened on the same day. Additionally, proxy selection procedures were established for instances where the chair is unable to preside or unilaterally adjourns the meeting in contravention of regulations.

## **B. Enhancement of Criminal Liability Provisions in the SEA and FTA for Protection of Critical Financial Infrastructure**

Notwithstanding the critical nature of core information/communication systems and related equipment operated by the TWSE, TPEX, TDCC, and TAIEX for securities/futures trading, settlement, registration, custody, and book-entry transfer services, existing regulations provided inadequate protection against physical destruction or virtual intrusion. Prior legal recourse was limited to provisions within the Criminal Code's chapters on Offenses of Destruction, Abandonment, and Damage of Property, as well as Offenses against Computer Security. To address this insufficiency and strengthen protection through enhanced criminal liability, amendments to Articles 174-3 and 174-4 of the SEA and Articles 112-1 and 112-2 of the FTA were enacted. These amendments establish hierarchical criminal liability provisions for acts of destruction against such systems, recognizing their status as national financial sector infrastructure. The revisions aim to bolster regulatory protection of vital financial facilities, deter illicit activities, and promote stability and sustainable development in financial markets. Consequently, the President (Tsai) promulgated these legislative amendments on June 28, 2023.

## **C. Implementation of Chief Information Security Officer (CISO) Requirements in the Securities and Futures Industry to Bolster Market Cybersecurity**

Pursuant to the increasingly critical impact on information security protection for securities and futures enterprises on overall operations, it was essential to strengthen the information security protection of such enterprises, which led to the FSC issuance of relevant interpretations on January 4, 2024. These interpretations have further expanded the scope of securities and futures enterprises that need to establish information security officers. The following conditional requirements for securities firms are as follows: (i) with paid-in capital of NT\$4 billion or more and electronic order placement reaching a certain proportion; (ii) futures commission merchants with paid-in capital of NT\$1 billion or more and electronic order placement reaching a certain proportion; and (iii) SITEs and SICEs with an average monthly domestic/foreign assets under management scale of NT\$500 billion or more in the previous year. Those firms that match the conditions should appoint a person with

either the position of vice president or above, or with equivalent responsibilities, to concurrently serve as the CISO, who coordinates the promotion and resource allocation of information security policies.

Appendix II

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

### A. Dispositions of TWSE/TPEX-Listed and Emerging Stocks Companies

In cases of regulatory violations by TWSE/TPEX-listed companies and emerging stock companies, the TWSE and TPEX are authorized to implement a graduated series of enforcement actions commensurate with the severity of the infraction. These actions, designed to enhance market integrity and protect shareholder interests, include: (i) issuance of a letter of corrective action requests; (ii) inclusion in the key financial and trading information disclosure section of the official website; (iii) imposition of contractual penalties; (iv) alteration of stock trading methods; and (v) suspension of securities trading. The following table represents a five-year analysis of the frequency and trends of these enforcement actions:

Type of Disposition Imposed by		Year	2019	2020	2021	2022	2023
Issuance of a Letter Requesting Improvement	TWSE-Listed		88	95	72	133	131
	TPEX-Listed		98	118	104	101	103
	Emerging Stocks		24	26	24	24	30
	Total		220	239	194	253	264
Inclusion in the Key Financials and Trading Section	TWSE-Listed		96	114	114	98	98
	TPEX-Listed		142	162	151	131	133
	Emerging Stocks		65	74	72	76	74
	Total		303	350	337	305	305
Periodic Disclosures of Financial Information	TWSE-Listed		80	105	90	84	79
	TPEX-Listed		106	105	93	105	40
	Emerging Stocks		51	54	58	53	20
	Total		237	264	241	242	139
Imposition of Penalties	TWSE-Listed		66	69	48	92	44
	TPEX-Listed		30	42	18	14	17
	Emerging Stocks		14	22	18	14	8
	Total		110	133	84	122	69
Altered Trading, Periodic Call Auction or Suspension of Trading	TWSE-Listed		26	30	29	25	26
	TPEX-Listed		77	83	78	75	65
	Total		103	113	107	100	91

### **1. Issuing Letters to TWSE/TPEX-Listed Companies and TPEX Emerging Stock Companies Requesting Correction of Deficiencies**

The total number of cases where TWSE found deficiencies in the financial reports and internal control systems of TWSE-listed companies and issued letters requesting the companies to make improvements was 88, 95, 72, 133, and 131, respectively, following the year from 2019 to 2023. Among the cases of issuing letters, most were deficiencies found in internal control inspections. In 2023, a total of 81 letters were issued for improvement, while 50 letters were issued for financial reporting deficiencies in 2023.

As for the TPEX, it conducted the same two inspections on TPEX-listed companies and emerging stock companies. Those requesting letters for improvements, most were deficiencies found in internal control system inspections. This was also the main reason for the 118 cases of TPEX-listed companies in 2020. For emerging stock companies, there has been no significant change in the number of cases where letters were issued requesting companies to make improvements in the past five years.

### **2. Requiring TWSE/TPEX-Listed Companies and TPEX Emerging Stock Companies to Make Periodic Disclosures of Financial Information and Including Them in the Key Financials and Trading Section**

The change in the number of TWSE-listed companies listed in the Market Observation Post System (the MOPS) Key Financial and Transaction Information Section in the recent five years showed that the number of TWSE-listed companies increased year by year in 2019 and 2020. The larger increase in 2020 was mainly due to the impact of the COVID-19 pandemic on their operating profitability. The number of companies remained unchanged in 2021, and decreased in 2022 and 2023 as the pandemic eased and the financial and business conditions of TWSE-listed companies improved. TWSE-listed companies were mainly listed in the MOPS Key Financial and Transaction Information Section due to poor operating and financial conditions. The TWSE also required companies to regularly announce financial information, and the changes in company numbers was consistent with the number listed in this section.

The trend of changes in the number of TPEX-listed companies listed in the MOPS Key Financial and Transaction Information Section by the TPEX in the last five years showed that the number of TPEX-listed companies increased year by year from 2019 to 2020. The larger increase in 2020 was mainly due to the pandemic impact on their operating revenue and profitability. However, the number of companies gradually decreased from 2021 to 2023, mainly attributable to the pandemic easing, the situation of being listed in the MOPS Key Financial and Transaction Information Section due to poor operating and financial conditions. As for emerging stock companies, the number of companies increased significantly in 2020, because in that year, six new drug companies were registered as emerging stocks, and their net value per share was less than NT\$10 and their net cash flow from operating activities was negative, reaching the financial information indicators. In addition, some emerging stock companies were newly listed in the aforementioned section due to the pandemic impact on their operating revenue and profitability. There was no significant change from 2021 to 2023.

In the last five years, the TPEX has not seen significant changes in the number of their emerging and listed companies that are required to regularly disclose financial information from 2019 to 2022. However, companies with high debt ratios were originally required to report their financial ratios at the end of each month. In 2023, considering that other supervisory measures had been implemented for those with poor financial ratios, companies with high debt ratios and low coverage of highly liquid assets or those that have reported losses for three consecutive years will disclose or enhance the disclosure of related financial information at the end of each month in the MOPS Key Financial and Transaction Information Section as previously mentioned. This should serve to alert investors. Therefore, the number of the TPEX emerging and listed companies required to regularly disclose financial information has decreased in 2023.

### **3. Imposing Penalties on TWSE/TPEX-Listed Companies and TPEX Emerging Stock Companies for Violating Regulations Governing Information Reporting and Material Information**

The number of cases where TWSE listed companies were imposed breach of contract fines for violating information reporting and material information was 66, 69, 48, 92, and 44, respectively, from 2019 to 2023. The total amount of fines imposed on TWSE listed companies was NT\$2.56 million, NT\$2.57 million, NT\$1.54 million, NT\$6.57 million and NT\$6.92 million respectively, with an average fine of NT\$38,000, NT\$37,000, NT\$32,000, NT\$71,000 and NT\$157,000 per case. For the number of cases where TWSE listed companies were imposed breach of contract fines, the number in 2023 decreased compared to 2022, but considering the seriousness, the amount of fines increased, with most cases violating the regulations on material information reporting.

Among emerging and TPEX-listed companies that were imposed breach of contract fines for violating information reporting and material information regulations in the recent five years, most violations focused on material information reporting. For TPEX-listed companies, there were more cases of violations in 2019 and 2020 due to multiple violations. For emerging stock companies, the number of those being imposed breach of contract fines has decreased year by year since 2021, because the TPEX continues to hold public awareness seminars and enhance the stock guidance function of recommended securities firms for emerging companies.

To ensure that TWSE/TPEX listed and emerging stock companies comply with relevant regulations, the TWSE and TPEX hold annual public awareness seminars to enhance the promotion of the contents and common deficiencies of information reporting as well as material information regulations. In addition, to ensure that emerging stock companies actually comply with relevant regulations, the TPEX continues to offer information reporting explanation courses for emerging stock companies to strengthen the advocacy of the regulations and common deficiencies of information reporting plus material information. Furthermore, it requires intermediaries to strengthen guidance to urge emerging stock companies to abide by information disclosure obligations. Moreover, for TWSE/TPEX listed and emerging stock companies that violate the regulations, the TWSE and TPEX will disclose the violation information on the Market Observation Post System. As for those companies with multiple or major violations, both exchanges

must issue a correction request to the independent directors or supervisors for future improvement while complying with the laws.

#### 4. Imposing Altered Trading, Periodic Call Auction, and Suspension of Trading on TWSE/TPEX-Listed Companies

If financial or business matters of listed companies are in accordance with the regulations of the TWSE/TPEX, both exchanges may adopt the corresponding measures to (i) change the trading method of such companies' securities; (ii) adopt call auction trading; and (iii) may further suspend the trading of its listed securities. The TPEX may also take the same measures for convertible/exchangeable corporate bonds issued by TWSE/TPEX listed companies.

The number of TWSE listed companies that adopted changes in trading methods, call auction trading, or suspended trading in 2019, 2020, 2021, 2022, and 2023 was 26, 30, 29, 25, and 26, respectively. The reasons for change in the past five years were mainly due to the changes in the company numbers, whose net value shown in their financial reports had fallen below one-half and one-third of the stated capital. In addition, the number of suspended trading companies in 2023 decreased by just one compared to 2022, and there was no significant change overall. In the last five years, the reasons for the fluctuation in the number of TPEX-listed companies were mainly due to their adjustments in the financial reports. This was based on their net value falling into two thresholds of its stated capital: below one-half for companies that adopted changes in trading methods, and below three-tenths for companies that are subject to call auction trading. In 2023, the number of companies adopting call auction trading decreased by twelve compared to 2022, while the number of companies adopting changes in trading and suspended trading did not change much.

Analyzing the reasons for the adoption of changes in trading methods, call auction trading, or suspended trading of securities in the last five years, some TWSE/TPEX-listed companies had poor financial and business conditions, such as the CPA issuing an audit report or review report expressing significant uncertainty about the ability to continue as a going concern or their net value falling below three-tenths of the stated capital in the financial report. However, they were unable to make refinements for an extended period, which had a negative impact on the overall quality of TWSE/TPEX-listed companies and the protection of investor rights and interests. Therefore, the TWSE and TPEX amended relevant rules in March 2019 to give these companies a three-year improvement period. If they are unable to do so, their securities must be suspended from trading to motivate the rest of the listed companies to actively improve their financial structure plus operating quality and further protect investor rights and interests. In March 2022, the three-year period expired, and some TWSE/TPEX-listed companies saw improvement, resulting in a decrease in the number of companies adopting call auction trading.

- **Major Cases in 2023**

- a. Taisun Enterprise Co., Ltd. delayed the input of material information when applying to the Intellectual Property and Commercial Court on April 21, 2023 to prohibit seven shareholders including Long Bon International Co., Ltd. from convening Taisun's 2023 second extraordinary shareholders meeting and holding a press conference on May 6, 2023 to explain the equity investment in JKO FinTech Co., Ltd. In addition, when releasing the material information "Announcement of the Company Obtaining a Special Audit Report on Internal Control by Non-Certifying CPAs" on May 8, 2023, it did not disclose the CPA's qualified opinion in detail, and when releasing the material information "Announcement of the Automatic Removal of Independent Director Chen Min Hsun in Accordance with the Law" on May 9, 2023, it was inconsistent with the indication of the competent authority and was inappropriate. The above multiple violations of material information regulations were repeated offenses and the circumstances of the violations were serious; subsequently, the TWSE imposed a penalty of NT\$3 million and issued a correction request to actually make improvements in the future and implement corrections within the deadline.
- b. Chung Fu Tex-International Corporation's financial reports announced and reported for 2022, the first quarter and the second quarter of 2023 issued a disclaimer of opinion audit/review report by the CPA, which met the circumstances stipulated in Article 50, Paragraph 1, Subparagraph 5 of the "TWSE Operating Rules." Therefore, the TWSE announced the suspension of trading on the centralized securities exchange market starting from April 10, 2023, and the suspension of trading on the centralized securities exchange market starting from May 18, 2023 in combination with the case
- c. Da Lue International. Holding Co., Ltd.'s financial report for 2022 issued an audit report by the CPA expressing significant uncertainty about the ability to continue as a going concern. Based on such a violation, the TPEX listed this company as adopting a change in trading method starting from April 10, 2023. Moreover, the company's financial report showed that its net value had fallen below one-half of the stated capital since the first quarter of 2023, and the CPA issued the same conclusion as in 2022. Ultimately, the TPEX continued to list its securities as adopting a change in trading method starting from May 18, 2023. In addition, the company and its subsidiaries had circumstances such as providing endorsements and guarantees for non-compliant objects without legal resolutions, and there were major deficiencies in its internal control, which met the circumstances stipulated in Article 9, Paragraph 2 of the TPEX "Directions for Auditing Internal Control Systems of TPEX-listed Companies." It also violated the regulations on disclosing and reporting material information such as litigation cases, cases of wanted responsible persons, and audit reports issued by CPAs expressing significant uncertainty about the ability to continue as a going concern, which had a significant adverse impact on shareholders' rights and interests. Therefore, the TPEX imposed a fine of NT\$1 million on the company on April 26, 2023.

## B. Sanctions on Trading Activities

When the price and volume of TWSE/TPEX-listed securities show a clear abnormality within a period of time, to maintain the order and safety of securities market transactions, for those securities that have repeatedly reached the threshold for disclosing announcements of attention, measures such as advance receipt of securities and funds are adopted. The oversight and trend analysis in the last five years are detailed as follows:

Type of Disposition Imposed by		Year	2019	2020	2021	2022	2023
Announcement of Attention Securities	The TWSE		365 securities 1,506 times	568 securities 4,262 times	833 securities 5,041 times	478 securities 2,773 times	510 securities 2,806 times
	The TPEX		340 securities 1,491 times	465 securities 3,277 times	543 securities 3,828 times	472 securities 2,522 times	510 securities 2,665 times
Information of Disposition Securities	The TWSE		33 securities 49 times	157 securities 383 times	336 securities 239 times	72 securities 114 times	68 securities 111 times
	The TPEX		69 securities 105 times	205 securities 404 times	195 securities 379 times	90 securities 130 times	125 securities 221 times

- **Brief Analysis:**

In recent years, as the Taiwan Stock Exchange Capitalization Weighted Stock Index (TAIEX) repeatedly reached record highs and the trading volume also increased significantly; the price and volume of securities market transactions were clearly abnormal. This resulted in an increase in the quantity and frequency of publishing announcements of attention and taking measures against such transactions. In 2021, TAIEX reached a record high. However, the trading volume decreased significantly in 2023, resulting in a decrease in the number and frequency of published announcements of attention and measures taken against securities.

The year-end index and annual trading value of TPEX stocks in the last five years were 149.36 points and NT\$7.60 trillion in 2019, 184.10 points and NT\$12.08 trillion in 2020, 237.55 points and NT\$20.27 trillion in 2021, 180.34 points and NT\$14.87 trillion in 2022, and 234.01 points and NT\$16.84 trillion in 2023. It could clearly be observed that if the market price and volume rise together and trading was active, the number of stocks for which announcements of attention were published and the number of stocks for which measures were published both increase, and vice versa.

## C. Sanctions on Intermediaries

### 1. Sanctions on Securities Firms

To maintain the order of securities market transactions as well as protect investor rights and interests, when securities firms violate relevant regulations, the TWSE and TPEX may, depending on the severity of the circumstances, issue a letter requesting the securities firm to make improvements, impose breach of contract fines/default fines, suspend the trading of all or part of the securities firm's proprietary trading, brokerage business or its business premises for not more than three months, and may issue a warning or suspend the business of the violating business personnel.

- a. The oversight and trend analysis of TWSE and TPEX's measures against securities firms' trading aspect deficiencies in the past five years are detailed as follows:

Type of Violation	Type of Disposition	Imposed by	2019	2020	2021	2022	2023
Regulations Governing Reporting and Handling	Issuance of a Letter Requesting Improvement	The TWSE	4 cases	5 cases	12 cases	5 cases	6 cases
		The TPEX	18 cases	41 cases	42 cases	26 cases	19 cases
	Imposition of Delinquency Fines	The TWSE	1 case (Totaling NT\$30,000)	2 cases (Totaling NT\$60,000)	2 cases (Totaling NT\$60,000)	1 case (Totaling NT\$30,000)	0 cases (NT\$0)
		The TPEX	NT\$0	NT\$0	1 case (Totaling NT\$30,000)	NT\$0	NT\$0
Regulations Governing Business Control	Issuance of a Letter Requesting Improvement	The TWSE	9 cases	9 cases	4 cases	10 cases	6 cases
		The TPEX	2 cases	3 cases	3 cases	1 case	1 case
Regulations Governing the Settlement of Accounts	Imposition of Delinquency Fines	The TWSE	NT\$0	NT\$0	NT\$0	NT\$0	NT\$0
		The TPEX	NT\$0	NT\$0	NT\$0	NT\$0	NT\$0
	Suspension of Trading	The TWSE	0 cases	0 cases	0 cases	NT\$0	0 cases
		The TPEX	0 cases	0 cases	0 cases	0 cases	0 cases
Regulations Governing the Emerging Stock Market	Issuance of a Letter Requesting Improvement	The TPEX	1 case	8 cases	14 cases	1 case	4 cases
	Imposition of Penalties		0 cases	2 cases (Totaling NT\$130,000)	3 cases (Totaling NT\$260,000)	1 case (Totaling NT\$80,000)	4 cases (Totaling NT\$320,000)

From 2019 to 2023, the types of cases where the TWSE took action against securities firms' trading aspect violations were mainly divided into two categories: (i) "violating reporting and processing operation related regulations" and (ii) "violating business control related regulations," both with 38 cases, while "violating settlement related regulations" had no cases.

**Oversight of Trading Aspect Deficiencies in 2022 and 2023:** In 2023, the number of cases where securities firms violated reporting and processing regulations and were subsequently issued notices for correction increased by one compared to 2022. However, there were no cases in which fines for negligence, failure, or delay in complying with regulations were imposed; primarily because the firms did not follow the required timelines for changing trading categories. In addition, compared to 2022, cases in which letters were issued for correction due to violating business control related regulations decreased by four. This was mainly due to deficiencies in the securities lending volume which exceeded the lending limit in such operations. It was believed that this should be the result of securities firms strengthening their control measures. The TWSE will continue to promote and remind securities firms to pay attention to relevant reporting deadlines.

In 2023, the types of cases where the TPEX took measures against securities firms for violating regulations related to the emerging stock market were mainly securities firms violating the basic spirit of market making obligations as emerging stock recommending securities firms and failing to continuously report reasonable quotes according to professional judgment, with a total of four cases. The number of cases where securities firms violated regulations related to the emerging stock market in 2023 increased compared to 2022. The TPEX continues to remind securities firms to comply with regulations related to the emerging stock market.

- **Major Cases in 2023**

- i. IBF Securities Co., Ltd. was late in handling the process of changing the trading category for customer transactions on June 28, 2023, violating the provisions of Article 2 of the "Directions for Securities Firms Handling Changes to Trading Category" of the TWSE. Subsequently, after the authority correction letter, the company made improvements.
- ii. The TWSE issued a letter requesting corrective action for a violation from Shin Kong International Securities, who failed to comply with Article 39, Paragraph 2 of the "Operating Rules for Securities Lending by Securities Firms." This violation indicates that Shin Kong had conducted securities lending business with Ennoconn Corporation (securities code: 6414) on May 19, 2023.
- iii. The TPEX issued a letter requesting corrective action for a violation from the head office and Xinying branch of the President Securities Corporation. On November 27, 2023, these two businesses' information operation system errors occurred, which led to the trading category changes submitted beyond the prescribed time. This action violated Article 2 of the TPEX's "Directions for Securities Firms Handling Changes to Trading Category."

- iv. Due to a transaction error, an instance of insider trading occurred on July 2023, at the Nanyuanlin branch of Fubon Securities Co., Ltd. There was no clear indication by the client as to the stocks being lent as securities for other transactions; this ambiguity, plus all the transaction files under process, led to this instance. After having been investigated, it became evident that the teller knew the client's identity—an insider of the company—but the teller did not process the control system properly, which resulted in the violation of TPEX-listed company insiders unintentionally engaging in securities lending transactions. This action was based on operational negligence, which violated Article 41 of the "Operating Rules for Securities Lending by Securities Firms." The TPEX issued a letter requesting attention to improvement.
- v. Capital Securities Corp. was late in reporting customer default information on August 25, 2023. The regulatory time limit was before 11:00 AM on the reporting day, but the default reporting operation was completed on the same day at 12:16 PM, violating the provisions of Article 2, Paragraph 1, Subparagraph 1 of "Taipei Exchange Directions for Securities Brokers Reporting Delayed Settlement and Default by Customers." The TPEX issued a letter requesting attention to improvement.
- b. The oversight and trend analysis of TWSE and TPEX's measures against securities firms' financial and business aspect deficiencies in the past five years are detailed as follows:

Type of Violation	Type of Disposition	Imposed by	2019	2020	2021	2022	2023
Regulations Governing Brokerage Trading Orders	Issuance of Warning and Request for Correction	The TWSE	7 cases	25 cases	40 cases	15 cases	37 cases
		The TPEX	8 cases	8 cases	8 cases	8 cases	7 cases
	Issuance of Warning and Request for Correction, as well as Imposition of Penalties	The TWSE	4 cases	4 cases	6 cases	1 case	1 case
		The TPEX	2 cases	3 cases	2 cases	2 cases	1 case
Regulations Governing Recommendation of Securities as well as Securities Borrowing and Lending	Issuance of Warning and Request for Correction	The TWSE	13 cases	8 cases	8 cases	17 cases	7 cases
		The TPEX	3 cases	2 cases	2 cases	0 cases	7 cases
	Issuance of Warning and Request for Correction, as well as Imposition of Penalties	The TWSE	1 case	0 cases	0 cases	0 cases	0 cases
		The TPEX	0 cases	0 cases	0 cases	1 case	0 cases
Regulations Governing Out-Trades or Settlement	Issuance of Warning and Request for Correction	The TWSE	4 cases	9 cases	8 cases	2 cases	9 cases
		The TPEX	0 cases	0 cases	2 cases	1 case	0 cases
	Issuance of Warning and Request for Correction, as well as Imposition of Penalties	The TWSE	1 case	0 cases	1 case	1 case	0 cases
		The TPEX	0 cases				

Type of Violation	Type of Disposition	Imposed by	2019	2020	2021	2022	2023
Regulations Governing Account Opening	Issuance of Warning and Request for Correction	The TWSE	2 cases	3 cases	6 cases	5 cases	14 cases
		The TPEX	1 case	2 cases	0 cases	0 cases	0 cases
	Issuance of Warning and Request for Correction, as well as Imposition of Penalties	The TWSE	0 cases				
		The TPEX	0 cases	1 case	0 cases	0 cases	0 cases
Regulations Governing Margin Purchases and Short Sales	Issuance of Warning and Request for Correction	The TWSE	1 case	2 cases	1 case	4 cases	0 cases
		The TPEX	5 cases	0 cases	2 cases	2 cases	0 cases
	Issuance of Warning and Request for Correction, as well as Imposition of Penalties	The TWSE	0 cases				
		The TPEX	0 cases				
Regulations Governing AML and CFT	Issuance of Warning and Request for Correction	The TWSE	7 cases	4 cases	1 case	9 cases	1 case
		The TPEX	6 cases	4 cases	1 case	1 case	1 case
	Issuance of Warning and Request for Correction, as well as Imposition of Penalties	The TWSE	0 cases				
		The TPEX	0 cases				
Regulations Governing Information Security (Note 1)	Issuance of Warning and Request for Correction	The TWSE	0 cases	7 cases	30 cases	10 cases	47 cases
		The TPEX	12 cases	13 cases	8 cases	14 cases	16 cases
	Issuance of Warning and Request for Correction, as well as Imposition of Penalties	The TWSE	0 cases	7 cases	5 cases	7 cases	3 cases
		The TPEX	0 cases	1 case	0 cases	0 cases	0 cases
Regulations Governing Financial Derivatives or Other Business Operations (Note 2 and 3)	Issuance of Warning and Request for Correction	The TWSE	0 cases	2 cases	0 cases	1 case	8 cases
		The TPEX	2 cases	9 cases	3 cases	8 cases	6 cases
	Issuance of Warning and Request for Correction, as well as Imposition of Penalties	The TWSE	0 cases				
		The TPEX	2 cases	1 case	1 case	0 cases	1 case

Note 1: This type of violation Includes deficiencies in co-location.

Note 2: This type of violation includes deficiencies in securities dealings and the bond business engaged by securities firms.

Note 3: The cases of such a violation leading to the issuance of warning and request for correction included one case of deficiencies in the leverage contract trading business among leverage transaction merchants each in 2020 and 2021. For more details on the relevant sanctions over the past five years, please refer to this report, section (II) Sanctions on Futures Commission Merchants (Leverage Transaction Merchants).

Although the brokerage business is still the main source of operating income for domestic securities firms, with the changes in trading methods (the proportion of electronic trading has increased significantly) and the adjustment of the division of inspection work with the competent authority since 2019, and the occurrence of multiple major information security incidents in securities firms in 2020, the TWSE and TPEX have invested more inspection resources to assist securities firms in examining the appropriateness of their network system security control and information security maintenance related operations. In response to the specific measure 4-5-1 "Improving the information security level of providers and strengthening the security and uninterrupted operation of internet services" released by the regulatory authority in the "Capital Market Roadmap" on September 24, 2020, the TWSE and TPEX adjusted the focus of routine information security inspection, to the following key inspection items: (i) listing network security protection benchmarks; (ii) information system security protection benchmarks; and (iii) supply chain risk management, and other self-regulatory norms. Therefore, the number of deficiencies in information and communication security business operations was higher in 2022 and 2023.

- **Major Cases in 2023**

- i. The certificate system of Cathay Securities Corporation had several operational deficiencies, such as (i) not conducting verification tests with different accounts at the same time in the stress test report; (ii) not formulating standard operating procedures for fault recovery in control systems; (iii) not conducting parameter capacity tests on database connections; and (iv) insufficient allocation of resources for database hosts resulting in slow digital securities certificate systems. These actions violated the provisions of the "TWSE Operating Rules," securities firms' internal control system standards and regulations, as well as the internal control system established by the securities firm in accordance with its regulations. The TWSE requested the securities firm to pay attention to improvements and issued a warning to the CISO, along with a breach of contract fine of NT\$350,000.
- ii. The compliance officer of Good Finance Securities Co., Ltd. received monthly performance sharing referral bonuses from salespeople in accordance with the company's "Employee Referral Customer Incentive Measures," violating TPEX regulations. The TPEX requested the securities firm to pay attention to improvement and imposed a breach of contract fine of NT\$100,000, and asked the firm to review the appropriateness of the regulations.

## 2. Sanctions on Futures Commission Merchants (Leverage Transaction Merchants)

Leverage transaction merchants are futures proprietary merchants concurrently operating leverage margin contract trading business at their business premises. The TPEX may, in accordance with the "Taipei Exchange Rules Governing the Operation of Leverage Contract Trading Business by Leverage Transaction Merchants," depending on the severity of the circumstances, issue a letter requesting the leverage transaction merchant to make corrections or improvements within a time limit, report to the regulatory

authority to suspend or terminate its leverage margin contract trading business, and issue a warning or suspend the business execution of the violating business personnel for one to six months in order to maintain the order of the TPEX futures market and protect investor rights and interests when leverage transaction merchants violate relevant regulations.

TPEX Sanctions on Business Deficiencies of Leverage Transaction Merchants:

Type of Violation		2019	2020	2021	2022	2023
Engagement in the Leverage Contract Trading Business	Issuance of Warning and Request for Correction	0 cases	1 case	1 case	7 cases	1 case
	Issuance of Warning and Request for Correction, as well as Imposition of Penalties	0 cases	0 cases	0 cases	2 cases	0 cases

- **Trends and Major Cases Over the Past Five Years**

- i. Brief Analysis of Trends Over the Past Five Years:

The year 2022 witnessed an overall increase in reported deficiencies. This uptick can be attributed to multiple factors: firstly, a rise in futures commission merchants applying for leverage margin contract trading business licenses (five new applicants in 2022, including Yuanta Futures, Capital Futures, KGI Futures, Cathay Futures, and Fubon Futures, compared to five in 2021, five in 2020, three in 2019, and three in 2018); secondly, an expansion in the range of products offered; and thirdly, an increase in reported incidents. In response, the TPEX implemented revisions to its inspection criteria and manual, incorporating insights from recent audit findings to enhance regulatory oversight. Consequently, a downward trend in deficiencies among leverage transaction merchants was observed in 2023.

- ii. Major Case in 2023:

A business person of Yuanta Futures made remarks in the LINE group they established involving suggestions on the future trends of gold and foreign exchange prices, and providing bullish and bearish recommendations to customers, which violated the provisions of TPEX's "Directions for Leverage Transaction Merchants Conducting Leverage Contract Trading Business." The TPEX requested the leverage transaction merchant to pay attention to improvement and regularly strengthen the supervision of internet marketing management operations, and issued a warning to the business person.

### 3. Sanctions on Futures Commission Merchants

To maintain the order of the futures market and protect the rights and interests of traders, when futures commission merchants violate relevant regulations, TAIFEX may,

depending on the severity of the circumstances, issue a letter requesting the futures commission merchant to make corrections or improvements within a time limit, and issue a warning or suspend the business execution of the violating business personnel for one to six months.

a. Issuance of Letter Requesting Improvement:

Type of Violation	Year	2019	2020	2021	2022	2023
	Information System Control		3 cases	0 cases	3 cases	11 cases
AML Audit		0 cases	1 case	5 cases	6 cases	0 cases
Account Opening, Credit Investigation, and Qualification Review		3 cases	1 case	1 case	0 cases	0 cases
Others		16 cases	16 cases	7 cases	10 cases	7 cases

- **Brief Analysis:**

If futures commission merchants violate the "Operating Rules of the Taiwan Futures Exchange Corporation (TAIFEX)," (the TAIFEX Operating Rules) the authority may request the futures commission merchants to make improvements within a time limit in accordance with the provisions of Article 125 or Article 126 of the TAIFEX Operating Rules.

b. Imposition of Default Fines:

Type of Violation	Year	2019	2020	2021	2022	2023
	Calls and Substituted Off-Set Operations		1 case	10 cases	3 cases	0 cases
Account Opening, Credit Investigation, and Qualification Review		4 cases	5 cases	0 cases	0 cases	0 cases
Internal Audits and Financial Operations		5 cases	4 cases	2 cases	4 cases	1 case
Others		7 cases	10 cases	7 cases	6 cases	5 cases

- **Brief Analysis:**

If futures commission merchants violate the TAIFEX Operating Rules, TAIFEX may impose breach of contract fines on futures commission merchants in accordance with the provisions of Article 126 or Article 127 and relevant regulations of the aforementioned Rules.

- c. Trends and Major Cases Over the Past Five Years:
- i. Brief Analysis of Trends Over the Past Five Years:  
Regarding cases where letters were issued requesting futures commission merchants to make improvements, there were 22, 18, 16, 27, and 13 cases in 2019, 2020, 2021, 2022, and 2023, respectively. Regarding cases where breach of contract fines were imposed on futures commission merchants, there were 17, 29, 12, 10, and 7 cases from 2019 to 2023, respectively. In terms of case trends, for cases where letters were issued requesting futures commission merchants to make improvements, the average was 19 cases in 2019, 2020 and 2021, and the average was 20 cases in 2022 and 2023. For cases where breach of contract fines were imposed on futures commission merchants, the average was 19 cases in 2019, 2020 and 2021, and the average was 9 cases in 2022 and 2023. Overall, the number of cases imposing breach of contract fines has shown a larger downward trend in the past two years. The reason was that TAIEX's relevant internal control promotion and handling measures should have achieved improvement effects.
  - ii. Major Cases in 2023:  
On July 5 and 10, 2023, Cathay Futures had management deficiencies where its electronic trading platform experienced abnormalities, violating the provisions of the TAIEX Operating Rules. TAIEX imposed a breach of contract fine of NT\$120,000.

## Statistics on Administrative Sanctions Imposed by the SFB from 2019 to 2023

**Table 1** Administrative Sanctions Imposed by the SFB from 2019 to 2023 (Unit: Cases)

Type of Violation	Legal Basis	Year					Total	
		2019	2020	2021	2022	2023		
A1	Acquisition or Disposition of Assets	Article 36-1 of the SEA	9	2	2	5	4	22
A2	Material Information	Subparagraph 2, Paragraph 3, Article 36 of the SEA	3	1	3	6	2	15
A3	Regulations Governing Appointment of Independent Directors and Regulations Governing Procedures for Board Meetings	Paragraphs 1 and 5, Article 14-2, Article 14-3, and Paragraphs 7 and 8, Article 26-3 of the SEA	7	1	8	7	3	26
B1	Internal Controls of Securities Firms	Articles 65, 66, and 178-1 of the SEA	17	26	63	53	66	225
B2	Securities Brokerage	Article 23 of the "Personal Data Protection Act" (Original Title before Amendment on May 26, 2010: "Computer-Processed Data Protection Act")	0	0	0	0	0	0
B3	Employees of Securities Firm	Articles 56, 178-1 and 179 of the SEA	14	13	9	5	21	62
B4	Money Laundering Control Act	Paragraph 5, Article 7 of the MLCA	4	3	2	0	4	13
C1	Registration of Insiders' Equity	Article 22-2 and 25 of the SEA	149	143	156	122	117	687
C2	Acquisition of Large Equity	Paragraph 1, Article 43-1 of the SEA	5	7	3	3	3	21
C3	Tender Offer	Paragraph 4, Article 43-1 and Article 43-3 of the SEA	1	2	0	0	0	3
C4	Treasury Stock Repurchase	Article 28-2 of the SEA	16	14	3	2	2	37
C5	Proxy for the Attendance of a Shareholders Meeting	Article 25-1 of the SEA	1	0	5	2	2	10
D1	Internal Controls of SITEs and SICEs	Articles 7 and 93 of SITCA	16	27	15	9	15	82

Type of Violation	Legal Basis	Year					Total	
		2019	2020	2021	2022	2023		
D2	SITEs Business	Article 17 of SITCA	0	0	4	1	1	6
D3	SICEs Business	Articles 4 and 70 of SITCA	0	4	1	2	9	16
D4	Employees of SITEs and SICEs	Article 69 of SITCA	5	7	11	6	4	33
D5	Offshore Funds	Article 16 of SITCA	0	0	0	0	0	0
D6	Financial Information Disclosure of SITEs and SICEs	Article 99 of SITCA	0	1	0	0	0	1
D7	Financial and Business Inspections of SITEs and SICEs	Article 101 of SITCA	0	0	1	0	0	1
E1	Provision of Loans or Endorsements/ Guarantees	Article 36-1 of the SEA	14	9	2	2	2	29
E2	Financial Statements	Subparagraphs 1 and 2, Paragraph 1 and Paragraph 2, Article 36 of the SEA	32	26	24	25	30	137
E3	Accounting Officers	Paragraph 3, Article 14 of the SEA	6	6	2	3	1	18
E4	CPAs	Articles 11, 41, 61, 62, 68, 70, and 71 of the Certified Public Accountant Act	15	18	4	10	3	50
E5	Reporting of Operating Status	Subparagraph 3, Paragraph 1, Article 36 of the SEA	4	3	4	3	2	16
E6	Internal Control Systems	Paragraphs 2 and 3, Article 14-1 of the SEA	4	0	2	3	2	11
F1	Futures Commission Merchants and Leverage Transaction Merchants	Articles 56 and 80 of the FTA	16	20	24	8	7	75
F2	Futures Service	Articles 82 and 85 of the FTA	6	4	7	2	1	20
F3	Employees of Futures Commission Merchants	Articles 61, 80 and 82 of the FTA	4	8	8	2	4	26
-	Others		9	6	4	6	6	31
Total			357	351	367	287	311	1,673

**Table 2** Subject and Type of Administrative Sanctions Imposed by the SFB in 2023 (Unit: Cases)

Party in Breach	Type of Sanction									
	Penalties	Rectification	Termination of Business Operations	Discharge of Duties	Revocation of Business License	Warning	Salary Reduction	Rectification and Penalties	Rectification and Warning	Total
Insiders	117	-	-	-	-	-	-	-	-	117
Public Companies	48	-	-	-	-	-	-	-	-	48
CPAs	4	-	-	-	-	-	-	-	-	4
Intermediaries	39	51	-	-	1	2	-	3	2	98
Responsible Persons and Employees of Intermediaries	1	-	25	3	-	-	3	-	-	32
Others	5	-	-	-	-	-	-	-	-	5
<b>Total</b>	<b>214</b>	<b>51</b>	<b>25</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>304</b>



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