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**Regulations**

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## **Regulations**

### **Chapter 500 Use of Securities as Collateral**

#### **501 General Principles**

With regard to the use of securities as collateral for debt repayment, there are significant principles as follows:

(1) the depositor or the customer of the depositor may use the securities deposited in the system of TSD as collateral for debt repayments that are not cases under section 195 in accordance with the law governing securities and exchange; and

(2) with regard to using securities as collateral, the depositor has the duty to prescribe the rules in relation to using securities as collateral by the customer of the depositor to be clear and appropriate without being contrary to or inconsistent with these Regulations.

#### **502 Use of Securities as Collateral**

##### **502.01 Methods of Using Securities as Collateral**

The depositor wishing to record the use of securities deposited in the system of TSD as collateral shall comply with the following methods:

(1) the depositor shall open a securities account to be used as debt repayment collateral (collateral account);

(2) the depositor shall record the data in relation to using securities as collateral through the electronic media system in the system provided by TSD, and shall transfer securities into the collateral account in accordance with the amount recorded as collateral;

with regard to the transfer of securities for use as collateral under paragraph one, the depositor shall transfer securities to/from the collateral account in accordance with the amount recorded as collateral, except for the transfer of securities from the clearing account, where the depositor may file an application to request TSD to carry out the transfer of securities on its behalf; and

(3) when the depositor has completely and correctly recorded data and transferred securities under (2), TSD shall suspend the withdrawal or transfer of such securities during the period they are used as collateral, and shall record the use as collateral in the electronic media system of TSD.

##### **502.02 Recording of Data on the Use of Securities as Collateral**

(1) Recording of data on the use of securities as collateral by the depositor

The depositor must record the use of securities as collateral by separating the use as collateral for the depositor's account from the use as collateral for the account of its customer, and such record shall at least contain the following particulars:

(1.1) the depositor's number;

(1.2) the number of the account in which securities are used as collateral;

(1.3) the name of the securities and the number of units of securities;

(1.4) the name, surname, and address of the collateral grantor, the collateral recipient and the beneficiary;

(1.5) the date, month, and year of recording the use of securities as collateral; and

(1.6) other data as prescribed by TSD.

The depositor shall ensure the completion and accuracy of recorded data, and documents or evidence relevant to the use of securities as collateral shall be kept for viewing upon TSD's demand.

(2) TSD's recording of the use of securities as collateral

TSD shall record the use of securities as collateral in the securities account to secure debt repayment by separating it into use as collateral for the account of the depositor and for the account of the customer of the depositor.

### **502.03 Date and Time of Recording the Use of Securities as Collateral**

The depositor may record the use of securities as collateral in the system of TSD on all business days of TSD in accordance with the periods stipulated by TSD. In the case that such business hours are changed, TSD shall notify the depositor.

### **502.04 Change of Recorded Data in Relation to the Use of Securities as Collateral**

The depositor may change the recorded data in relation to the use of securities as collateral in accordance with the following rules and procedures:

(1) the depositor may change the recorded data in relation to the use of securities as collateral through TSD's system in accordance with Regulation 502.02, by recording the change through the electronic media system in the system provided by TSD only with respect to certain following particulars:

(1.1) the change of the receiver of securities as collateral; and

(1.2) the change of the beneficiary;

The depositor shall ensure the completion and accuracy of the recorded changes and shall store relevant documents or evidence for viewing upon TSD's demand.

(2) with regard to amending titles, spelling, name, surname, or address, the depositor may make the amendment through the electronic media system in the system provided by TSD, and relevant documents or evidence shall be kept for viewing upon TSD's demand; and

(3) for the change of data other than that specified in (1), the depositor may do so upon permission from TSD.

## **503 Revocation of the Use of Securities as Collateral**

### **503.01 Methods of revocation of the use of securities as collateral**

The depositor may revoke the use of securities as collateral, either in whole or in part, by recording such revocation through the electronic media system in the system provided by TSD.

Once the depositor has revoked the use of securities as collateral, TSD will cancel the suspension of the withdrawal or transfer of such securities and record the revocation of the use of securities as collateral in the electronic media system of TSD.

## **504 Enforcement of Auction**

The depositor may notify the enforcement of securities placed as collateral by way of auction or sale in the stock exchange in accordance with the following rules and procedures:

(1) auction

(1.1) in the case of an auction where there are securities certificates, the depositor must withdraw the securities certificates used as collateral which are deposited with TSD in order to auction such securities certificates;

(1.2) in the case of auction without securities certificate, it shall comply with the following rules and procedures:

(a) when securities which are used as collateral are sold, the depositor shall record the sale through the electronic media system in the system provided by TSD. TSD shall notify the sale to the Registrar for further action.

The depositor shall store the following documents and evidence for viewing upon TSD's demand:

(a.1) the notice of forced sale;

(a.2) the certificate of auction; and

(a.3) other evidence as required by TSD;

(b) the depositor may not record the sale under (a) during the date of closing the register to suspend the transfer of securities of the securities issuing company; and

(c) when TSD cancels the suspension of the withdrawal or transfer of the securities used as collateral, which have been auctioned, the depositor shall act as follows:

(c.1) if the buyer from the auction wishes to take the transfer of such securities to the securities account, the depositor must transfer such securities from the collateral account of the depositor to the securities account as notified by the buyer; and

(c.2) if the buyer from the auction wishes that a new securities certificate be issued, the depositor shall cause the Registrar to issue a new securities certificate; and

(2) Sale in the exchange

(2.1) when securities which are used as collateral are sold on the exchange, the depositor shall record the auction in the exchange through the electronic media system in the system provided by TSD. TSD shall notify the auction to the Registrar for further action.

The depositor shall store the following documents and evidence for viewing upon TSD's demand:

(a) the notice of forced sale;

(b) the certificate of the sale of securities used as collateral in the exchange, which is certified by the member of exchange which sold such securities, in accordance with the form specified by TSD; and

(c) other evidence as required by TSD; and

(2.2) when TSD cancels the suspension of the withdrawal or the transfer of the securities used as collateral which were sold on the exchange, the depositor must transfer such securities from the collateral account to the clearing account of the depositor.

**505 Obligations and Validity of the Use of Securities as Collateral**

The recording of the use of securities as collateral under this Regulation shall have a binding effect on the depositor once the depositor has submitted the recorded particulars to the system of TSD.

The use of securities as collateral under paragraph one shall be valid and bind the parties using the securities as collateral once the system of TSD has acknowledged the recording of the use of securities as collateral in accordance with the time recorded by the depositor in the electronic system provided by TSD. The depositor may view the particulars recorded in the system of TSD.

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