



## **CLSA ASIA-PACIFIC SECURITIES DEALING SERVICES: TAIWAN MARKET ANNEX ( FINI )**

### **1. Definitions and Interpretation**

- 1.1 In this Securities Dealing Services: Taiwan Market Annex, including the Schedule, capitalised terms have the meaning given to them in the "CLSA Asia-Pacific Terms of Business" (the "Terms of Business"), the Securities Dealing Services Annex and the Direct Market Access Annex. In addition, the following capitalised terms have the following meaning:

"**ES**" means the Emerging Stock, the secondary board for trading provided by GTSM.

"**FINI**" means the status of a Foreign Institutional Investor as described in the applicable laws of Taiwan.

"**GTSM**" means the GreTai Securities Market, formerly known as the Over-the-Counter Center.

"**SFB**" means The Securities and Futures Bureau of Financial Supervisory Commission of Taiwan.

"**TSE**" means the Taiwan Stock Exchange.

- 1.2 This Securities Dealing Services: Taiwan Market Annex is referred to herein as "this Annex".
- 1.3 References in this Annex to "we", "us" and "our" mean, unless the context otherwise requires, CLSA and where the context requires will also include any company in the CLSA Group, or persons connected with the CLSA Group.

### **2. Effect of Terms of Business; Amendment**

- 2.1 This Annex shall apply to you if (a) you requested in your Application Form that we provide you with Securities Dealing Services and requested that such Securities Dealing Services be provided in respect of the Taiwan Market; (b) we currently provide you with Securities Dealing Services in respect of the Taiwan Market.
- 2.2 The terms and conditions set out in this Annex shall apply to all Securities Dealing Services in the Taiwan Market provided by us to you in addition to, and supplemental to, the terms and conditions set out in the Terms of Business and in the Securities Dealing Services Annex. Accordingly, the terms and conditions in this Annex are legally binding and take effect when you signify your acceptance by placing an order for trading of Securities in the Taiwan Market with us following your receipt of our Terms of Business, the Securities Dealing Services Annex and this Annex.



### **3. FINI Registration**

- 3.1 You are required to obtain the FINI status and have completed the FINI registration with the TSE before any securities dealing in the Taiwan Market. You represent and confirm to us that you are a registered FINI.
- 3.2 You undertake to immediately notify CLSA and to cease using the DMA Service to trade Taiwan securities if its FINI registration is cancelled or suspended.

### **4. Expiration of Order**

In placing an Order, you shall state on the Order the expiry date of such Order. In the event that for any reason the Order cannot be executed on the trading day on which it is received, the Order shall be deemed cancelled, unless a different expiration date is clearly indicated in the Order.

### **5. DMA Order**

- 5.1 You acknowledge that electronic trading and DMA Order carry the same legal effect as the order placing via other methods and you shall perform the settlement obligations in accordance with applicable regulations, and in the event of default, you shall take full legal responsibility.
- 5.2 You acknowledge that the TSE or GTSM has the authority to request us to suspend, limit or refuse certain, partial or all of CLSA customers to place DMA Orders and in such circumstance, we will comply with such request without any liability or any prior notice to you.

### **6. Short Selling**

- 6.1 Without limitation to your obligations under the Terms of Business and the Securities Dealing Services Annex, for every transaction in Securities in the Taiwan Market, you will inform us if that trade is a short selling order prior to or at time of the order. This shall include orders placed by oral or electronic means, or in writing by fax, direct market access (DMA) or other means of transmission.
- 6.2 You represent and confirm your understanding of the short selling requirements in Taiwan and shall not place any uncovered short sell DMA orders as it is unlawful to do so.
- 6.3 For every short selling order conducted through us by oral or electronic means or DMA or in writing by fax or other means of transmission, you confirm that you will make proper arrangements to cover the trade settlement, and if applicable, that you have confirmation from your lender for the delivery of the trade.
- 6.4 You undertake to provide the relevant information and assurances requested by CLSA, in form and substance satisfactory to CLSA prior to our accepting the order or prior to the DMA order (as applicable), in written form by Bloomberg or means as otherwise agreed in relation to the short selling order and the proper arrangements for covering the trade settlement.



6.5 You authorize CLSA to contact your custodian bank to verify your securities holdings and your ability to sufficiently settle the trades placed through CLSA.

6.6 Without prejudice to any other provisions of the Terms of Business including, without limitation, your obligations to at all times comply with applicable Market Requirements, you shall at all times comply with or provide such information or take such actions in order for us to comply with the Operational Regulations for Securities Firm Handling Margin Purchases and Short Securities, the Management Rules for Securities Firm Handling Margin Purchases and Short Securities in relation to short selling and the operating rules issued by, or for trading on, TSE, GTSM and ES.

#### **7. Investor Compensation Fund**

We have explained to you, and you understand and agree, that in the event of a default committed by us causing you to suffer a pecuniary loss, your right to compensation under the Investor Compensation Fund established under the Securities Investors and Futures Traders Protection Law will be restricted to the extent provided for therein. You are fully aware that the maximum compensation you may receive for your loss caused by our default in a trading of securities in Taiwan is limited to NT\$1,000,000 or the amount stipulated in such Law as may be amended from time to time. There can be no guarantee that your loss may be recouped from the Investor Compensation Fund in full or in part.

#### **8. Securities Positions and Reporting Limits**

The SFB has prescribed certain trading limits and disclosure requirements on securities that may be held or controlled by a person or jointly with others and require such person holding or controlling a reportable position to notify the competent authorities. Furthermore, a person may be required to report and disclose his securities trading when he holds a particular position (e.g. being a director of board in a public company). You may need to take legal advice regarding your obligations thereunder. You acknowledge that it is your responsibility to observe such position limits, to monitor your holdings and to make reports where applicable.

#### **9. Risk Disclosure Statement**

You have confirmed (whether in the Application Form or otherwise) that you acknowledge and confirm that the terms and conditions applicable to the Services and the risk disclosure statements in the "Risk Disclosure Statement Schedule" to this Annex are and have been fully explained to you in a language that you understand and that you have read and understood them.

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## **Securities Dealing Services: Taiwan Market Annex Risk Disclosure Statement Schedule**

This Risk Disclosure Statement Schedule does not disclose all of the risks and other significant aspects of trading in securities, futures and options. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. Please read this Schedule carefully, and ask questions and take independent advice as you consider appropriate.

### **Securities Risk Disclosure Statement**

- You acknowledge that the price of Securities can and does fluctuate, sometimes dramatically, and that the price of any individual security may experience downward movements, and may become valueless. You appreciate therefore that it is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. This is a risk that you are prepared to accept.
- You acknowledge that there are risks in leaving Securities in our custody or in authorising us to deposit securities as collateral for loans or advances made by us or authorising us to borrow or loan Securities and you confirm that you are prepared to accept such risk notwithstanding that in these circumstances you face the risk of loss of such Securities.
- You confirm that you understand the short selling requirements in Taiwan and, in particular, that uncovered short selling on Exchanges in Taiwan is unlawful.

### **Electronic Communication and Trading System Risk Disclosure Statement**

- You understand that the electronic communication systems (including the internet) and electronic trading facilities are supported by computer-based component systems for the order-routing, execution and matching of trades. As with all facilities and systems, they are vulnerable to temporary disruption, delay or failure and may not be a reliable medium of communication due to unpredictable traffic congestion or other reasons and that such unreliability is beyond our control. This may give rise to situations, including delays, disruption or failure, in transmission and receipt of your instructions or other information, delays, disruption or failure in execution or execution of your instructions at prices different from those prevailing at the time your instructions were given, misunderstanding and errors in any communication between you and us and so on. Whilst we will take every possible step to safeguard our systems, client information, accounts and assets held for the benefit of our clients, you accept the risk of conducting transactions via electronic communication systems.
- You understand that your ability to recover certain losses for any failure, disruption or delay in the electronic communication systems (including the internet) and electronic trading facilities may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member or participant firms. Such limits may vary and you understand that you should ask us for details in this respect.



- Trading on an electronic trading system may differ from trading on other trading systems. If you undertake transactions on an electronic trading system, you understand that you will be exposed to risks associated with the system including the failure or malfunction of hardware and software. You understand that the result of any system failure or malfunction may be that your order is either not executed according to your instructions or is not executed at all.
- Trading on an electronic trading system may differ from trading on other electronic trading systems. By familiarizing yourself with the CLSA System, you may reduce the risk that trades will be incorrectly entered into the system.
- You acknowledge and agree that orders placed in electronic form through the DMA Service may take time to transmit, and are not completed instantaneously. Thus, where the market price changes quickly, it cannot be guaranteed that the time which the order is executed, or the result of a change or cancellation of an order will necessarily conform with your expectations.
- You understand that you need to use the encrypted code for identification verification purpose to execute electronic order (including DMA Order) and you are fully responsible to any trade placed with correct user's name and code

### **ES Stock Risk Disclosure Statement**

- You understand that ES has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, you understand that companies may list on ES with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, you understand that the standards adopted by ES for admission of listing is much loose than those adopted by TSE and GTSM. ES does not conduct substantive review on the financial soundness of the companies listed thereon. You appreciate that there may be risks arising out of the emerging nature of companies listed on ES and the business sectors or countries in which the companies operate.
- You are aware of the potential risks of investing in such companies and understand that you should make the decision to invest only after due and careful consideration. You understand the greater risk profile and other characteristics of ES mean that it is a market more suited to professional and other sophisticated investors.
- Given the emerging nature of companies listed on ES, you understand there is a risk that securities traded on ES may be susceptible to higher market volatility compared to securities traded on TSE and GTSM. You understand that the price of shares traded on ES is not subject to the daily 7% fluctuation limit set by the SFB applicable to shares traded on TSE and GTSM and accordingly the trading of shares on ES brings much greater exposure to loss.
- You further understand that there are often fewer analysis reports, news coverage or other publicly available information in relation to ES shares. Therefore, you will need to rely on your own judgment to a greater extent when deciding whether to conduct a trade of ES stock than in relation to



shares traded on TSE or GTSM. You also appreciate the fact that certain number of companies listed on ES have small capital, have been in existence for a short period and have not generated profits yet. No assurance is given that there will be a liquid market in the securities traded on ES.

- You understand that the settlement of the securities traded on ES shall be conducted in cash or spot basis and no margin transactions are allowed. Therefore, you need to make sure that you have sufficient resources to effect settlement to avoid any default.
- You acknowledge that this risk disclosure statement does not purport to disclose all the risks and other significant aspects of ES. You understand that you should undertake your own research and study on the trading of securities on ES before commencing any trading activities.
- You understand that you should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of securities on ES.
- You understand that the signing of this risk disclosure statement is mandatory under the rules of GTSM in relation to trading of ES stock. You understand that we will not be able to effect your instructions to deal in securities on ES if this statement is not signed and acknowledged by you.
- You understand that we are required under the rules of GTSM to explain the contents of this disclosure statement to you and to ensure that you are provided with a signed copy of this risk disclosure statement.

#### **Securities with Subscription Rights Risk Disclosure Statement**

- You understand that securities with subscription rights give you a right to purchase the underlying shares and accordingly the value of such securities is linked with the price of the underlying shares. You understand that you should pay attention to the effect the price of the underlying shares may have on your securities before you decide to trade in such securities.
- You understand that the price of securities with subscription rights will be determined by the market based on the mechanism of supply and demand when they are traded on the relevant stock exchanges, and the price may vary from their original issuance price. Before you decide to purchase securities with subscription rights, you should carefully evaluate the financial condition, credit status and other factors which relate to the issuer's ability to perform its obligations to avoid any potential loss. You understand that neither TSE nor us guarantee that the issuer will perform its obligations.
- You understand that in most of the conditions, if you do not exercise your subscription rights before the expiration of the prescribed subscription period, you will be deemed to have waived your exercise right.
- You acknowledge that this risk disclosure statement does not purport to disclose all the risks and other significant aspects of trading of securities with subscription rights. You understand that you should undertake your own research and study on the trading of securities with subscription rights before commencing any trading activities. Before you decide to trade such securities,



you should plan your financial resources and evaluate the relevant risk exposure to reduce any potential loss.

- You understand that you should seek independent professional advice if you are uncertain of or have not understood any aspect of this risk disclosure statement or the nature and risks involved in trading of securities with subscription rights.
- You understand that the signing of this risk disclosure statement is mandatory under the rules of TSE in relation to trading of securities with subscription rights. You understand that we will not be able to effect your instructions to deal in securities with subscription rights if this statement is not signed and acknowledged by you.
- You understand that we are required under the rules of TSE to explain the contents of this disclosure statement to you and should also ensure that you are provided with a signed copy of this risk disclosure statement.

#### **Client Assets Received or Held Outside Taiwan Risk Disclosure Statement**

- Client assets received or held by the person licensed or registered outside Taiwan are subject to the applicable laws and regulations of the relevant overseas jurisdictions which may be different from the Securities and Exchange Law and the regulations made thereunder. Consequently, such client assets may not enjoy the same protection as that conferred on client assets received or held in Taiwan.

#### **Margin Trading Risk Disclosure Statement**

- The risk of loss in financing a transaction by deposit of collateral is significant. You understand that you may sustain losses in excess of your cash and any other assets deposited as collateral with us. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. You understand that you may be called upon at short notice to make additional margin deposits or interest payments. If the required margin deposits or interest payments are not made within the prescribed time, you understand that your collateral may be liquidated without your consent. Moreover, you will remain liable for any resulting deficit in your account and interest charged on your account. You understand therefore that you should carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.

#### **Providing an Authority to Hold Mail or to Direct Mail to Third Parties Risk Disclosure Statement**

- If you provide us with an authority to hold mail or to direct mail to third parties, you understand that it is important for you to promptly collect in person all contract notes and statements of your account and review them in detail to ensure that any anomalies or mistakes can be detected in a timely fashion.



### **Providing an Authority to Repledge Your Securities Collateral etc Risk Disclosure Statement**

- There is risk if you provide us with an authority that allows us to apply your securities or securities collateral pursuant to a securities borrowing and lending agreement, repledge your securities collateral for financial accommodation or deposit your securities collateral as collateral for the discharge and satisfaction of our settlement obligations and liabilities.
- If your securities or securities collateral are received or held by us in Taiwan, the above arrangement is allowed only if you consent in writing. Unless terminated or rescinded by you or us, your authority will be deemed given to us for indefinite time. You understand that termination or rescission will be effective to TSE only after its receipt of notice from us and you are not allowed to notify TSE of the occurrence of such incident out of your initiative.
- You are not required by any law to sign these authorities. But an authority may be required by us, for example to facilitate margin lending to you or to allow your securities or securities collateral to be lent to or deposited as collateral with third parties. We should explain to you the purpose for which one of these authorities is to be used.
- If you sign one of these authorities and your securities or securities collateral are lent to or deposited with third parties, those third parties will have a lien or charge on your securities or securities collateral. Although we are responsible to you for securities or securities collateral lent or deposited under your authority, a default by us could result in the loss of your securities or securities collateral.
- A cash account not involving securities borrowing and lending is available from most licensed or registered persons. If you do not require margin facilities or do not wish your securities or securities collateral to be lent or pledged, you understand that you should not sign the above authorities and ask to open this type of cash account.

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