

Title : Taipei Exchange Rules Governing the Operation by Securities Firms of the Business of Proprietary Trading of Security Tokens
Date : 2022.02.10 (Amended)

Chapter I General Principles

Article 1

These Rules are prescribed in accordance with Article 45-1, paragraph 1 of the Regulations Governing Securities Firms, Article 11, paragraph 2 of the Standards Governing the Establishment of Securities Firms, and Article 21-1, paragraph 1 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms.

Article 2

Securities firms operating the business of proprietary trading of security tokens shall do so in compliance with these Rules, except as otherwise provided by law or regulation.

These Rules do not apply to securities, other than securities representing security tokens, regulated under Article 6 of the Securities and Exchange Act for which provisions have already been made under other laws or regulations.

Financial reports of securities firms and issuers shall be prepared in accordance with applicable laws and regulations. For matters on which applicable laws and regulations are silent, they shall be prepared in accordance with generally accepted accounting principles and with the guidelines issued by the Accounting Research and Development Foundation in Taiwan. Certified public accountants (CPAs) engaged to audit and attest the financial reports of securities firms and issuers shall comply with applicable laws and regulations. For matters on which those laws and regulations are silent, CPAs shall comply with generally accepted auditing standards and with the guidelines issued by the Accounting Research and Development Foundation in Taiwan.

Article 3

Terms used in these Rules are defined as follows:

- 1.The competent authority: means the Financial Supervisory Commission.
- 2.Issuer: means a company limited by shares organized under the Company Act of the Republic of China (Taiwan), excluding any TWSE listed, TPEX listed, and emerging stock companies.
- 3.Trading platform: means the information platform set up by a securities firm for purposes of operating the business of proprietary trading of security tokens.
- 4.Information disclosure section: means the information system set up by a securities firm for use in disclosing information related to issuers, including an issuer's basic information, annual financial reports, fundraising plan, status of utilization of funds, and material information, for convenient query and reference by investors.

5. Professional investor: means a professional investor meeting the conditions set out in Article 3, paragraph 3 of the Regulations Governing Offshore Structured Products.

6. Business day: means a trading day for purposes of the operation by securities firms of the business of proprietary trading of security tokens.

7. Overseas Chinese and foreign nationals: means those meeting the definitions set out in Article 3 of the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals.

Article 4

To apply to operate the business of proprietary trading of security tokens, the applicant shall apply to establish a securities firm under Articles 9 and 10 of the Standards Governing the Establishment of Securities Firms, or to increase the type of business or business operations under Chapter VI of the Standards Governing the Establishment of Securities Firms, and submit the application documents to the TPEX for it to review and then forward to the competent authority for approval.

After a securities firm has obtained approval from the competent authority under the preceding paragraph, it shall submit an application (Attachment 1) stating all the required information, accompanied by the documents required to be submitted therewith, to the TPEX, to apply to sign with the TPEX a Contract for the Operation by a Securities Firm of the Business of Proprietary Trading of Security Tokens (Attachment 2).

If a securities firm that has signed a contract with the TPEX under the preceding paragraph encounters or will encounter any of the events required to be reported under Article 4, paragraph 1 of the Regulations Governing Securities Firms, it shall file a report with the TPEX for forwarding to the competent authority, unless otherwise provided by law or regulation.

Article 5

A securities firm shall adopt an internal control system pursuant to the provisions relating to the operation of security token propriety trading business set out in the Standard Directions for the Internal Control Systems of Securities Firms jointly adopted by the TPEX and the centralized securities depository enterprise, and submit it for approval by its board of directors, and shall comply with Articles 21 to 24 and Article 36-2, paragraph 2 of the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets.

A securities firm's operation of the business under these Rules shall comply with laws and regulations, its articles of incorporation, and the internal control system referred to in the preceding paragraph.

Whenever the TPEX or the centralized securities depository enterprise gives notice to make any amendments to the internal control system referred to in paragraph 1, the securities firm shall make the amendments within the specified time limit.

Article 6

A securities firm operating the business of proprietary trading of security tokens shall adopt a risk-based approach to perform its anti-money laundering and countering the financing of terrorism (AML/CFT) duties, in accordance with the provisions of the Money Laundering Control Act, the Counter-Terrorism Financing Act, the Regulations Governing Anti-Money Laundering of Financial Institutions, and the Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission.

A securities firm operating the business of proprietary trading of security tokens shall establish an internal control and audit system for AML/CFT, based on the risk of money laundering and terrorism financing as well as its business scale, and taking into reference the Taiwan Securities Association Template for Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms, and shall have the system approved by its board of directors, and furthermore shall regularly review whether any amendments to the system are needed.

Article 7

The places of business and facilities of a securities firm operating the business of proprietary trading of security tokens shall comply with the standards governing sites and facilities as prescribed by the TPEX.

Article 8

A securities firm shall establish a mechanism for the recordation, transfer, and custody of security tokens on a customer-by-customer basis, and incorporate it into its internal control system, for the handling of matters such as the receipt and delivery of, changes to, and inventory and custody of security tokens of customers.

The securities firm shall sign a contract with the centralized securities depository enterprise, and on a daily basis transmit data including the itemized changes to and balances of security tokens to the information reporting system designated by the centralized securities depository enterprise, and the centralized securities depository enterprise shall save backups of the data. If any discrepancy is discovered, the securities firm and the centralized securities depository enterprise shall jointly investigate and determine the cause and correct the discrepancy.

Matters relating to information reporting, handling of irregularities, and fees shall be handled in accordance with the provisions of the centralized securities depository enterprise.

The securities firm shall engage CPAs on a quarterly basis to audit data including the itemized changes to and balances of security tokens under paragraph 2, to ensure the correctness of the data.

Article 9

A securities firm operating only the business of proprietary trading of security tokens shall appoint one general manager to be responsible for the overall management of the entire company's business, who shall meet the qualifications under Article 9 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms. The securities firm furthermore shall first submit documents verifying that its candidate meets the required qualifications to the TPEX for review and its approval before the candidate may fill that position.

The securities firm's proprietary trading officer for the execution of security token business and its internal audit officer shall possess qualification as senior securities agents, and shall meet the qualifications set out in Article 10 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms.

The securities firm's personnel executing security token business and its internal auditors shall possess the qualification of securities agent or higher, and at least one of the internal auditors shall possess one of the following qualifications:

1. Have at least three years of professional work experience such as a computer programmer or a systems analyst.
2. Have at least two years engaged in computer auditing at a CPA firm.
3. Passed and received certification from the Information Systems Audit and Control Association (ISACA) for the "Certified Information Systems Auditor (CISA)".

The personnel under the preceding two paragraphs shall participate in pre-service and in-service training as required by the TPEX.

The securities firm shall appoint one person as an officer in charge of coordination and supervision of information security, and also shall appoint at least one person as a dedicated information security personnel responsible for security token proprietary trading business, who shall be responsible exclusively for tasks or duties related to information security. The aforesaid dedicated information security personnel shall hold a total of not less than two cyber security professional licenses, and shall continuously maintain the validity of the licenses.

In the case of a securities firm operating only the business of proprietary trading of security tokens, the board of directors shall appoint one senior officer to serve as the chief AML/CFT compliance officer.

Article 10

The internal auditors of a securities firm shall perform regular or unscheduled internal audits of its finances, business, and information security, prepare internal audit reports, and keep them available for auditing.

The internal audit reports under the preceding paragraph shall include whether the finances, business, and information security of the securities firm comply with relevant laws and regulations and its internal control system.

A securities firm shall file with the TPEX, in the prescribed format by the end of each fiscal year, its annual audit plan for the next fiscal year, and within 2 months from the end of each fiscal year, it shall file with the TPEX in the prescribed format its report on the execution of its previous fiscal year's annual audit plan.

Article 11

A securities firm shall keep records of its handling of security token business, and keep them available for auditing.

The records under the preceding paragraph shall be kept for at least 10 years. In the event of any dispute, however, they shall be kept until the dispute is resolved.

Chapter II Finances and Business

Article 12

A securities firm that operates only the business of proprietary trading of security tokens shall, within 3 months after the end of each fiscal year, file with the TPEX and publicly announce its annual financial report audited and attested by CPAs. The auditing and attestation of the aforesaid financial report shall be performed by practicing CPAs of a joint accounting firm approved by the FSC in accordance with the Regulations Governing Approval of Certified Public Accountants to Audit and Attest to the Financial Reports of Public Companies.

A securities firm that operates only the business of proprietary trading of security tokens shall, by the 7th day of each month, file with the TPEX in the prescribed format its monthly accounting summary and income statement for the preceding month.

The periods for which a securities firm keeps its accounting reports, account books, and accounting documents shall comply with the Business Entity Accounting Act, and additionally shall comply with the Required Periods for Preservation of Accounting Statements and Vouchers by Securities Firms Trading on the TPEX adopted by the Taipei Exchange.

Article 13

By the 10th day of the month after completion of the fundraising in a securities token offering, the securities firm shall compile and file with the TPEX a summary of the data relevant to the security tokens that it has issued for an issuer or on its own.

Article 14

In the case of a securities firm that operates only the business of proprietary trading of security tokens, the total amount of the securities firm's external liabilities may not exceed its net worth.

Article 15

In the case of a securities firm that operates only the business of proprietary trading of security tokens, its capital may not be loaned to others nor used for other purposes. The utilization of its capital shall be limited to the following:

1. NTD dollar bank deposits.
2. Purchase of government bonds or financial bonds.
3. Purchase of treasury bills, negotiable certificates of deposit, or commercial paper.

4. Other uses approved by the TPEX.

Article 16

A securities firm that operates only the business of proprietary trading of security tokens may not make any equity investment in other securities, futures, financial or other enterprises.

A securities firm may invest in security tokens issued on its trading platform, and shall comply with the following requirements:

1. Except when it buys back, under Article 36, paragraph 1 of these Rules, security tokens issued itself, the total cost of its holdings in the security tokens of any single issuer may not exceed the limit set out in Article 19 of the Regulations Governing Securities Firms.

2. It shall adopt a trading policy and related procedures, which shall cover operational procedures for trade analysis, decision-making, execution, change, and review, and incorporate them into its internal control system.

A securities firm may not invest in security tokens that were not issued on its trading platform.

Article 17

A securities firm operating the business of proprietary trading of security tokens shall do so on a single trading platform.

Article 18

A securities firm operating the business of proprietary trading of security tokens shall conduct business in accordance with the principles of honesty and good faith.

A securities firm operating the business of proprietary trading of security tokens may not engage in any of the following conduct:

1. Failing to duly fulfill its duty of due diligence when issuing security tokens for an issuer.

2. Agreeing to or providing any specific interest or sharing of losses, or providing any judgment regarding whether a certain security token will rise or fall in price, or providing any investment recommendation, or providing investment consulting service, to induce investors to trade.

3. Misappropriating security tokens or funds owned by a customer or temporarily kept under the custody of the securities firm in the course of business.

4. Any agreement between the securities firm or any insider thereof and the issuer or relevant personnel thereof for purposes of improper profit.

5. Any serving, by the securities firm or any insider thereof, in a position such as a director, supervisor, or managerial officer of an issuer that issues security tokens on the securities firm's trading platform; however, this rule does not apply in the case of security tokens issued by the securities firm itself on its trading platform.

6. Concealing or omitting important financial or business information of an issuer that issues security tokens on its trading platform.

7. Arranging for the issuance of security tokens for an issuer through any channel other than the securities firm's trading platform.

8.Keeping custody of security tokens that are not issued or not traded through price negotiation on its trading platform.

9.Concealing or making a false entry regarding information on any changes in security tokens.

10.Any other matter injurious to the rights and interests of investors or in violation of any relevant law or regulation.

Article 19

The securities firm shall faithfully fulfill its obligation to maintain the confidentiality of any non-public financial or business information of the issuer that it learns in the course of handling security token business, and shall strictly implement firewall mechanisms between its various units.

Article 20

The securities firm shall carry out to the full its responsibility to make a reasonable investigation of the qualifications required of a professional investor, and shall obtain reasonable and reliable supporting evidence from the investor.

The securities firm's method for evaluation of whether a professional investor possesses adequate professional knowledge and trading experience with respect to financial products shall be included in its know-your-customer procedures and submitted for adoption by the board of directors.

Article 21

A securities firm's collection, processing, use, or provision for use by the competent authority, the TPEX, and the centralized securities depository enterprise, of the personal information of investors shall comply with the Personal Information Protection Act.

Article 22

When the securities firm applies to the TPEX to establish or relocate its place of business, and within 3 months after the end of each fiscal year, it shall have an evaluation report issued by a CPA on the information systems and security control operations in accordance with the Principles for Information System and Security Control Operation Evaluation Reports Issued by Certified Public Accountants, as published by the TPEX.

The content of the evaluation report under the preceding paragraph shall at least include the qualifications of the evaluator, scope of the evaluation, deficiencies found in the evaluation, severity of deficiencies, types of deficiencies, description of associated risks, specific recommendations for corrections, and the results of related exercises. Furthermore, the securities firm shall have its internal audit unit carry out follow-up review of the correction of the deficiencies. The aforementioned report and related documents including those regarding correction of the deficiencies shall be kept for at least 2 years.

When the securities firm engages the CPA to handle the procedures under paragraph 1, the contract for the engagement shall specify that the competent authority or the TPEX, when necessary, may request the CPA to provide

explanations or to hand over the CPA's working papers from the evaluation report for review, and the CPA must comply with such requests.

To ensure the privacy and security of data and maintain the accuracy of data transmission, exchange, or processing, the TPEX when necessary may require the securities firm to raise its information system standards and strengthen its security control procedures.

Article 23

A securities firm shall adopt an information security policy in accordance with applicable laws and regulations, its internal control systems, and its business needs, and the policy shall serve as a basis for evaluating risks and establishing various information security management mechanisms, to ensure the effectiveness of security measures for the offering and trading of security tokens.

Article 24

The securities firm shall adopt procedures for handling information security incidents. The procedures shall at least include incident confirmation and troubleshooting mechanisms, incident reporting mechanisms, emergency response mechanisms, occasions for suspension of trading and the handling thereof, compensation measures with respect to the rights and interests of investors, and procedures for handling resumption of trading. The securities firm furthermore shall be diligent about effectively preserving a trail log and evidence, and set up business continuity management mechanisms.

When there occurs any incident of irregularity in information services, or any cyber security incidents, that materially affects customer rights or interests or normal operation, the securities firm shall make a preliminary notification through the Cyber Security Notification System for Securities and Futures Industry within 30 minutes after the incident takes place , and shall make a formal notification and an incident resolution notification, respectively, at the time the incident has been investigated and understood and after the handling of the incident is finished.

When trading is suspended because of an information security incident, the securities firm shall wait until after the incident has been resolved and it has taken preventive and corrective measures before it may resume trading. However, if trading is suspended twice or more within half a year, an incident evaluation and correction report shall be issued by a CPA, to confirm that the preventive and corrective measures taken can effectively prevent recurrence of incidents of the same kind, and the report shall be filed with the TPEX before the resumption of trading.

Chapter III Security Token Offering Procedures and Management

Article 25

The types of security tokens that an issuer offers on a trading platform shall be limited to non-equity dividend tokens and debt tokens.

Under the preceding paragraph, "dividend tokens" means tokens giving entitlement to share in the issuer's operating profit; "debt tokens" means tokens for which a maturity is specified and which are redeemable at maturity and give entitlement to share in interest distributed by the issuer.

For any single offering of security tokens by an issuer, all of the security tokens shall have identical terms and conditions of issuance, and furthermore shall have the same price.

The currency of the funds raised by an issuer, and of dividends or interest distributed after the offering, shall be limited solely to New Taiwan dollars.

Article 26

An issuer wishing to offer security tokens shall complete an "Application by an Issuer for a Security Token Offering" (Attachment 3) and submit the application, with all relevant documentation, including a prospectus, to the securities firm.

The information required to be published in the prospectus under the preceding paragraph will be separately prescribed by the TPEX. The prospectus furthermore shall disclose professional opinions as follows:

1. Opinion issued by an information technology professional(s) with respect to matters including the security of the information technology to be used in the security token offering.
2. Opinion issued by a financial professional(s) (a securities underwriter or a CPA(s) that does not provide attestation services to the issuer) on the reasonableness of the offering price.
3. Opinion issued by an attorney(s) on the legality of the security token offering.

When professionals and attorneys issue opinions under the preceding paragraph, they shall do as follows:

1. Before taking on the case, they shall prudently evaluate their own professional ability and practical experience, and furthermore they may not have any direct or indirect interest relationship with the issuer that could affect their independence.
2. They shall properly plan and execute appropriate work procedures to form a conclusion and issue the opinion on the basis thereof. They furthermore shall fully and accurately record in the working papers for the case the procedures executed, the data collected, and the conclusions.
3. They shall evaluate item-by-item the completeness, accuracy, and reasonableness of the sources of data, parameters, and information used as the basis for issuing the opinion.
4. They shall state that the personnel who prepared the opinion are professionally qualified and independent, and have evaluated the information and found it to be reasonable, correct, and compliant with relevant laws and regulations.

Article 27

A securities firm that handles offerings of security tokens for issuers on its trading platform shall sign a contract with each issuer for each offering case.

The contract under the preceding paragraph shall specify that these Rules and any matters publicly announced by the TPEX are all integral parts of the contract and shall be complied with by both parties.

Article 28

A securities firm shall disclose on its trading platform the rules regarding any relevant fees that it may collect from investors. If any fees are negotiated in a specific case, they shall be specified in the contract.

Article 29

A securities firm may disclose on the trading platform the basic information of an issuer and information related to the fundraising case only after performing due diligence and confirming that the issuer meets all of the following conditions:

- 1.The issuer has established an internal control system and implements it effectively.
- 2.The accounting treatment complies with the Business Entity Accounting Act; however, if the competent authority has made other provisions, those provisions shall be followed.
- 3.There is no record of any material instance of dishonoring of a negotiable instrument of, or violation of the Tax Collection Act by, or any material litigation concluded within the past 2 years or still pending that calls into question the integrity and good faith of, the issuer or any of its directors, supervisors, or general manager.
- 4.The legality of the fundraising items and of the business items operated by the issuer.
- 5.The fundraising plan and its effects/benefits are necessary, reasonable, and feasible.
- 6.Any programmed auto execution that is done with respect to the security tokens offered is consistent with the description in the prospectus.
- 7.Any other matters as required by the TPEX.

Article 30

After the securities firm has confirmed that the issuer meets the conditions under the preceding article, it shall disclose on the trading platform for at least 5 days information including the basic information of the issuer, the type of security token to be offered, the amount of funding intended to be raised, the method of payment for subscriptions, the fundraising period, and the prospectus, before professional investors may begin to subscribe the security tokens. The related provisions of the Financial Consumer Protection Act do not apply to professional investors.

Article 31

An investor who is participating in subscription for the first time shall first apply for registration on the platform, and also sign an account opening contract (Attachment 4) with the securities firm and sign a Risk Disclosure Statement (Attachment 5), and shall designate an account opened in the investor's own name at a financial institution to serve as the account for related transactions. The securities firm shall exercise controls to ensure that all related monetary

payments and receipts are done solely by means of remittances in New Taiwan dollars from and to the aforesaid account.

The securities firm shall examine whether an investor who is interested in subscribing meets the qualifications of a professional investor, and an investor may proceed with subscription procedures only after the securities firm has verified that the investor does not exceed its investment limit and after a prospectus has been delivered to the investor.

The "investment limit" in the preceding paragraph refers to the limit of NT\$300,000 set as the maximum subscription that a professional investor who is a natural person may make in any single security token offering.

Article 32

The securities firm shall open a trust account at a financial institution to be used exclusively for receipt and deposit on behalf of the issuer of the funds to be raised. Only after the fundraising period has ended and the funds collected furthermore have reached the fundraising soft cap may the securities firm then transfer the funds in the aforesaid account to the issuer.

Article 33

An issuer may offer security tokens on a single trading platform only, and the cumulative amount of offerings by it may not exceed NT\$30 million.

Article 34

Following the first time that a securities firm accepts an application for issuance of security tokens for an issuer or issues security tokens itself, after 6 months has elapsed from the day that trading of that issue of security tokens begins, and provided that there has been no material violation of any relevant provision of these Rules during that period, the securities firm may again accept an application for issuance of security tokens or issue security tokens itself. Furthermore, the cumulative amount of offerings by the securities firm on its trading platform may not exceed NT\$200 million.

Article 35

During a fundraising period, the issuer may not externally make any statement or issue financial or business forecast information.

If an issuer, during a fundraising period, violates the preceding paragraph or undergoes any material event that could affect its ability to continue operation, or for any other cause that the TPEX deems necessary, the securities firm shall immediately suspend its fundraising on the trading platform.

Under the circumstances in the preceding paragraph, any subscriptions by investors who have expressed intent to subscribe shall become invalid. If the payment for a subscription has already been made, the securities firm shall make an advance disbursement of the processing fees for the refund and then carry out the refund procedures.

Article 36

If an issuer of security tokens has disclosed a security token buyback mechanism in the prospectus, it may, after its security tokens have been traded on the trading platform for a full year, by agreement of a majority of the directors in attendance at a board meeting attended by at least two-thirds of the directors, carry out a buyback of its security tokens on the trading platform, and shall complete the execution of the buyback within 2 months counting inclusively from the day that it enters the information on the buyback into the securities firm information disclosure section in accordance with Article 37, and shall immediately cancel the security tokens that it buys back.

After the issuer has bought back security tokens under the preceding article, if the quantity of outstanding security tokens is lower than 10 percent of the originally issued quantity, the securities firm shall publicly announce the termination of trading of the security tokens.

A securities firm may engage in negotiated trading on its trading platform of security tokens that it issued itself, and paragraph 1 do not apply to such trading. However, its daily inventory of the security tokens may not exceed 3 percent of the outstanding quantity. If it occurs that its inventory exceeds that amount, it shall fully correct that excess within 3 business days.

A securities firm that, for reasons other than negotiated trading needs, buys back security tokens that it issued itself on its trading platform shall comply with the provisions of paragraphs 1 and 2 when doing so.

Article 37

An issuer shall input the following information by the required deadline into the information disclosure section designated by the securities firm:

1. Basic information of the issuer: including information such as an overview of the company and the basic data of the directors, supervisors, and management team, shall be input before trading begins. In the event of any subsequent change, the updated information shall be input within 5 days from the date that the change is learned of.

2. Annual financial report: the annual financial report audited and attested by a CPA shall be input within 4 months after the end of each fiscal year

3. Information on any decision by the issuer to distributed dividends, interest, or other benefits: shall be input on the next business day following the resolution by the board of directors.

4. Information on fundraising by an offering of security tokens:

A. Fundraising plan items and progress: shall be input within 10 days from the end of the fundraising period. Any changes in related information shall be input within 5 days from the date of the change.

B. Quarterly statement on utilization of the funds raised: shall be input within 20 days after the end of each quarter.

5. Information on buybacks of security tokens:

A. Buyback information: before the beginning of trading hours on the next business day following the resolution by the board of directors, information shall be input including the name of the security token to be bought back, ceiling on

the total monetary amount of the buyback, intended buyback period and quantity, and buyback price range.

B.Execution status: on the next business day after expiration of the buyback period or completion of execution of the buyback, input the execution status.

6.Maturity of debt tokens: input the date for termination of trading at least 10 days before the date that issued debt tokens will reach maturity.

With respect to the circumstance in subparagraph 6 of the preceding paragraph, the securities firm shall use a conspicuous means to disclose the date for termination of trading of the debt tokens that are approaching maturity.

There may not be any misrepresentation, concealment, or information sufficient to mislead others in the content of any information reported pursuant to any subparagraph of paragraph 1.

Article 38

"Material information" means the occurrence of any event listed below with respect to an issuer:

1.Dishonor of a negotiable instrument due to insufficient funds, refusal by a financial institution to honor a transaction, or other loss of creditworthiness.

2.Search by law enforcement authorities, or any litigious or non-litigious matter, administrative disposition, administrative litigation, precautionary injunctive procedure, or compulsory execution, with a material effect on the finances or business of the issuer.

3.Major decrease in production or a full or partial work stoppage, or lease of a plant or important equipment of the issuer to others, or a pledge on all or a major portion of its assets, with a material effect on the issuer's business operations.

4.The occurrence of any event under Article 185, paragraph 1 of the Company Act.

5.Ruling by a court to prohibit the transfer of stock of the company pursuant to Article 287, paragraph 1, subparagraph 5 of the Company Act.

6.Signing, amendment, termination, or rescission of an important memorandum of understanding, a plan for strategic alliance or other business cooperation plan or important contract, or change in important content of a business plan, or completion of development of a new product, or successful development and formal entry into the full-scale production stage of an experimental product, or purchase of an enterprise of another, or acquisition of or assignment to another of patent rights, trademark rights, copyrights, or other intellectual property transactions, with a material effect on the finances or business of the company.

7.Occurrence of a disaster, group protest, strike, environmental pollution event, information security incident, or other material event, with a material effect on the finances or business of the issuer.

8.Change in chairman, general manager, or one-third or more of the directors.

9.Change of the attesting CPAs for a reason other than internal adjustment at the accounting firm of the attesting CPAs.

10.Material change or significant delay in progress of any item of the fundraising plan.

11. Resolution by the board of directors to distribute dividends or interest, or failure to make the distribution by the deadline therefor.

12. Resolution by the board of directors to buy back security tokens, expiration of a buyback period, or completion of execution of a buyback.

13. Resolution by the board of directors or a shareholders meeting to apply for termination of trading of the issuer's security tokens on the trading platform.

14. Announcement of suspension or termination of trading of the issuer's security tokens on the trading platform under Article 40.

15. Mass media reportage or information circulating around the market sufficient to affect the prices of the issuer's security tokens.

16. Any other event with a material effect on the rights or interests of investors.

If an event set out in any subparagraph of the preceding paragraph occurs with respect to an issuer, the issuer shall input the relevant information into the information disclosure section designated by the securities firm before the beginning of trading hours on the business day next following the occurrence of the event.

If any event in paragraph 1 applies to the issuer and it has not duly made a public disclosure of material information, the securities firm shall notify the issuer to input the related information into the designated information disclosure section within a specified deadline.

No information disclosed pursuant to the subparagraphs of paragraph 1 may make any description of an exaggerated nature or that resembles advertising or promotional language, nor may the information involve any misrepresentation, concealment, or anything that could mislead others.

To ensure the correctness of and equal access to information, an issuer may not externally disclose any information on its own before publishing the material information through the aforesaid information disclosure section.

If there is any material change in the development of subsequent events with respect to material information that an issuer has published, the issuer shall update or supplement in a timely manner the content of the relevant information in accordance with the provisions under which the information was originally disclosed.

Article 39

The securities firm shall see to it that the issuer scrupulously carries out information disclosures under Articles 37 and 38, and shall continuously make available and maintain the information disclosure section for disclosures by the issuer.

Information disclosed under the preceding paragraph shall be kept for at least 10 years. However, in the event of any dispute, it shall be kept until the dispute is resolved.

If an error is found in information reported by an issuer, then upon discovery of the error or receipt of notification from the securities firm, the issuer shall immediately input the correct information to rectify the error.

If information reported by a company contains any misrepresentation or falsehood, it will be handled pursuant to the contract entered into between the

securities firm and the issuer, and the issuer shall solely bear any related legal liability.

Article 40

If any of the following circumstances applies to an issuer, the securities firm shall suspend the trading of its security tokens on the trading platform:

- 1.The issuer's application documents, information, or explanations contain any misrepresentation or any important fact is omitted.
- 2.The issuer commits a material violation of law or regulation or these Rules.
- 3.The issuer materially breaches its contract with the securities firm.
- 4.The issuer fails to file an annual financial report, or the CPA attesting the filed financial report issues a disclaimer of opinion or an adverse opinion in the audit report.
- 5.Any other circumstance under which the TPEX or the securities firm deems it necessary to suspend the trading of the issuer's security tokens on the trading platform.

Where trading of security tokens is to be suspended under the preceding paragraph, the securities firm shall promptly make a public announcement that the trading of the security tokens will be suspended beginning from the 5th business day following the announcement date.

Where trading of a security token is suspended due to occurrence of an event in any subparagraph of paragraph 1, the issuer may, upon extinction of the cause and where furthermore no cause under any other subparagraph thereof exists, submit relevant supporting documents to apply for resumption of trading. Upon examining such documents and finding them accurate, the securities firm shall promptly publicly announce that trading of the security tokens will resume from the business day next following the day the announcement is made.

If any of the following events applies to an issuer, the securities firm shall promptly make a public announcement that the trading of its security tokens on the trading platform will be terminated beginning from the 40th day following the announcement date:

- 1.Trading of the security tokens has been suspended under paragraph 1 for over 3 months, and the cause(s) of the suspension, which need not be limited to a cause under a single subparagraph, has not been extinguished.
- 2.The issuer's corporate registration is voided or revoked by a competent authority, or the issuer is dissolved by a competent authority.
- 3.The issuer files with a court for bankruptcy or reorganization.
- 4.The quantity of security tokens issued and outstanding is lower than 10 percent of the originally issued quantity,
- 5.Any other circumstance under which the TPEX or the securities firm deems it necessary to terminate the trading of issuer's security tokens on the trading platform.

Article 41

A securities firm wishing to offer security tokens on its trading platform shall complete an "Application by a Securities Firm for an Offering of Security Tokens

Issued by the Securities Firm on its Trading Platform" (Attachment 6) and submit the application, with all relevant documentation, including a prospectus, to the TPEX.

A securities firm applying to offer security tokens under the preceding paragraph shall pay the examination fee of NT\$300,000 in one lump sum to the TPEX.

The TPEX may agree for the securities firm to disclose on its trading platform the relevant basic information and information related to the fundraising case only after finding that the securities firm meets all of the conditions set out in the subparagraphs of Article 29, and that it furthermore is free of any conditions set out in the subparagraphs of Article 14-1, paragraph 1 of the Regulations Governing Securities Firms.

There may not be any misrepresentation or concealment in any information duly provided to the TPEX, or information disclosed externally, by the securities firm or its directors, supervisors, or managerial officers.

During a fundraising period, the securities firm may not externally make any statement or issue financial or business forecast information.

Offerings of security tokens issued by securities firms themselves under paragraph 1 shall be subject mutatis mutandis to the provisions of Article 25, Article 26, paragraphs 2 and 3, Articles 30 to 33, Articles 35 to 38, and Article 40 regarding types of security tokens, information required to be included in the prospectus, fundraising procedures, upper limits on fundraising, suspension of fundraising, information disclosure, and termination of trading.

Chapter IV Trading and Settlement Methods

Article 42

The trading of security tokens shall be conducted through proprietary trading by the securities firm on its trading platform, by means of price negotiation.

The term "proprietary trading" in the preceding paragraph refers to the securities firm, on its trading platform, making price quotes and engaging in negotiated trading with customers for security tokens issued on that platform.

The customers under the preceding paragraph are limited to professional investors meeting the conditions set out in Article 3, subparagraph 5.

A securities firm engaging in negotiated trading of security tokens with customers on its trading platform shall collect in advance from a customer the full amount of the purchase price or the security tokens to be sold, provided that the securities firm may refrain from collecting the purchase price or security tokens in advance after the securities firm has evaluated the credit status of a customer.

The securities firm shall adopt rules for the negotiated trading of security tokens and know-your-customer procedures, and publish them on its trading platform and incorporate them into its internal control system.

The negotiated trading rules under the preceding paragraph shall include the trading platform's business days and trading hours, price quote method, trade execution principles, price stabilization mechanism, trading procedures, method for the advance collection of purchase prices and security tokens to be sold, and the handling of settlement and default.

Article 43

A securities firm operating the business of negotiated trading of security tokens shall open a dedicated account at a financial institution for the collection and payment of funds. The account shall be named "○○○ Securities Security Token Account".

Article 44

A securities firm that will engage in negotiated trading of security tokens with a customer on its trading platform shall examine whether the customer meets the qualifications required of a professional investor under Article 20, paragraph 1, and shall require the customer to complete registration on the trading platform, and furthermore shall confirm that the customer has signed an account opening agreement (Attachment 4) and a risk disclosure statement (Attachment 5), before the customer may begin to engage in negotiated trading.

A securities firm shall stipulate with the customer that trading and transfer of security tokens shall be done on the trading platform on which the security tokens were issued, and the security tokens may not be traded or transferred off of that trading platform.

A securities firm that will engage in negotiated trading of security tokens with a customer shall first confirm that the customer has opened an account at a financial institution in the customer's own name for the receipt and payment of funds, and all related payments and receipts of funds shall be done by means of remittances in New Taiwan dollars from and to the aforesaid account.

Article 45

When a securities firm engages in negotiated trading with a professional investor who is a natural person, it shall first check and verify that the sum of the cost of the investor's inventory balance of the given security token plus the trade amount of the currently intended negotiated trade of that security token will not exceed NT\$300,000.

Article 46

A securities firm engaging in negotiated trading of security tokens with its customers on its trading platform shall use New Taiwan dollars as the currency for making price quotes and performing settlement on the platform.

The price quotes under the preceding paragraph are nominal quotes, and the securities firm shall provide two-way, buy and sell, quotes. The trade price shall be negotiated between the securities firm and the customer.

A securities firm shall provide reasonable price quotes based on its professional judgment, and shall efficiently adjust demand and supply in the market depending on the market situation, and may not give a quote that deviates from a reasonable price, thereby impairing the formation of fair prices.

When making price quotations for and engaging in negotiated trading of security tokens that it issued itself, a securities firm shall pay special attention to

reasonableness of price, and shall adopt in its internal control system a basis for the determination of price quotes and principles for negotiated trades.

Article 47

When a securities firm engages in negotiated trading of security tokens with its customers on its trading platform, the aggregate trading volume of the purchases and sales of any single security token on any single business day may not exceed 50 percent of the outstanding quantity of that security token.

Article 48

When a securities firm engages in negotiated trading of a security token with its customers on its trading platform, it shall disclose on the trading platform, for querying by its customers, information including its price quotations (including prices and quantities) and trade information.

The trade information referred to in the preceding paragraph shall include the price and quantity of the most recent trade, the cumulative trading volume, and highest, lowest, and weighted average trading price, of that security token during the trading hours.

After the close of daily trading hours, the securities firm shall prepare and externally disclose, for each security token, that day's trading volume, weighted average trading price, and itemized information on trades by and quantities held by overseas Chinese and foreign nationals.

Article 49

If during the trading hours for a given business day the weighted average trading price of a security token rises or falls to 25 percent or more above or below the weighted average trading price of the preceding business day, the securities firm shall halt trading of the security token for 15 minutes. However, if an above circumstance occurs within 15 minutes before the close of trading hours, it shall halt trading of the security token until the close of trading hours for the given day. On a single business day, the halting of trading under the preceding paragraph shall be done not more than once each for a rise or a fall in price respectively reaching the level set out in the preceding paragraph.

If during the trading hours for a given business day the weighted average trading price of a security token rises or falls to 50 percent or more above or below the weighted average trading price of the preceding business day, the securities firm shall halt trading of the security token until the close of trading hours for the given day, and resume trading from the next business day.

The provisions of paragraphs 1 to 3 do not apply during the first 5 business days when a security token begins to be traded over the counter and on any day when the weighted average trading price of the security token of the preceding business day was below NT\$1.

If a halt of trading occurs under the circumstances in paragraph 3, the securities firm shall immediately notify the issuer of that security token to confirm whether any circumstance set out in the subparagraphs of Article 38, paragraph 1 exists, and the issuer furthermore, before the start of trading hours on the following

business day, shall input an information disclosure to the information disclosure section designated by the securities firm.

Article 50

When a securities firm engages in negotiated trading of a security token with customers on its trading platform, the collection and delivery of the funds and security tokens with the customers will be completed by the real-time gross settlement method, and the securities firm shall prepare and issue records of the trades to the customers.

Article 51

When a customer defaults on a settlement obligation, the securities firm shall cancel the trade, and after immediately notifying the customer, shall itself pursue compensation.

Article 52

A securities firm engaging in negotiated trading of security tokens with a customer on its trading platform may not collect a commission from the customer.

Article 53

A securities firm shall pay the TPEX a monthly security token business service fee.

The security token business service fee under the preceding paragraph shall be calculated at the rate of 0.002925 percent of the monetary amount traded each month in negotiated trading of a security token on the securities firm's trading platform. If the amount of the fee calculated at the above rate is less than NT\$20,000 per security token, it shall be calculated at NT\$20,000 per security token.

Chapter V Auditing of Securities Firms and Handling of Violation

Article 54

The TPEX may, in coordination with the centralized securities depository enterprise, audit a securities firm's handling of security token business, and the securities firm may not refuse to provide information or fail to cooperate with the investigation or audit.

When any deficiency is discovered, the TPEX may request the securities firm in writing to submit a corrective plan or an internal audit report.

When the TPEX deems necessary, it may require the securities firm to engage a CPA(s) designated by the TPEX to conduct a targeted examination within an audit scope designated by the TPEX, and to submit the results of the examination to the TPEX. The audit fees shall furthermore be borne by the securities firm.

Article 55

If a securities firm is in any of the following circumstances, the TPEX may notify it to make supplementation or correction within a time limit, and in addition may impose a penalty of not more than NT\$100,000:

1. Violation of Articles 5 to 11, paragraph 3 of Article 12, Article 14, paragraph 2 of Article 16, Article 19, Article 20, Article 23, Article 24, paragraph 1 of Article 30, paragraph 1 or 2 of Article 31, Article 32, paragraph 2 or 3 of Article 35, paragraph 3 or 4 of Article 36, paragraph 2 of Article 37, paragraph 1 or 2 of Article 39, paragraphs 4 to 6 of Article 41, Articles 42 to 44, or Articles 46 to 53.
2. Failure to confirm or control the limit on the amount purchased and balance held by a professional investor who is a natural person in accordance with paragraph 3 of Article 31 or Article 45.
3. Failure to submit, by the 7th day of each month, the monthly accounting summary and income statement for the preceding month in accordance with paragraph 2 of Article 12, or failure to file by the required deadline a summary of the data relevant to the security tokens that it has issued for an issuer or on its own in accordance with Article 13, or failure to provide information to the TPEX, a CPA designated by the TPEX, or the centralized securities depository enterprise by a required deadline.
4. Violation of any other provision of these Rules or other relevant requirements.

Article 56

If a securities firm is in any of the following circumstances, the TPEX may issue a warning, or impose a penalty of not more than NT\$300,000, and notify it to make supplementation or correction within a time limit:

1. Violation of paragraph 1 of Article 12, Article 15, paragraph 1 or 3 of Article 16, Article 18, Article 22, Article 33, Article 34, or Article 40.
2. Failure to make supplementation or correction or to pay a penalty within a time limit set pursuant to the preceding Article.
3. Commission of a violation set forth in the preceding article, and the violation is of a material nature.
4. Refusal, obstruction, or evasion of an inspection or examination by the TPEX or by a CPA designated by the TPEX.
5. Misrepresentation, concealment, material omission, or obvious error in any relevant material presented by the securities firm.
6. Occurrence of a serious information security incident on the trading platform.
7. Material breach of a contract signed with the TPEX.
8. Violation of laws or regulations of the competent authority where the violation is of a material nature.

Dispositions made pursuant to the preceding paragraph shall be filed with the competent authority for recordation.

Article 57

If a securities firm is in any of the following circumstances, the TPEX may impose a penalty of not more than NT\$600,000 on it, and notify it to make supplementation or correction within a time limit; if the securities firm fails to make the supplementation or correction within the time limit, the TPEX may

continuously impose the penalty for each time until supplementation or correction is made:

- 1.Failure to make supplementation or correction or to pay a penalty within a time limit set pursuant to the preceding article.
- 2.Two or more instances of warning or penalty imposed under the preceding article within the past half year.
- 3.Violation under the preceding two articles, where the violation is of a material nature such that it adversely affects market trading order or the rights or interests of investors.

If there is another violation of paragraph 1 by a securities firm within the past half year, the TPEX may impose a penalty of NT\$1 million.

Dispositions made pursuant to this article shall be filed with the competent authority for recordation.

Article 58

If a securities firm is in any of the following circumstances, the TPEX may suspend or terminate its operation of the business of proprietary trading of security tokens:

- 1.Failure to make supplementation or correction or to pay a penalty within a time limit set pursuant to the preceding Article.
- 2.Misrepresentation or concealment in any information presented, sufficient to cause damage to the TPEX or others.
- 3.Making of untrue records of trading or payment/receipt.
- 4.Occurrence of a serious information security incident on the trading platform, where it affects the rights or interests of investors.
- 5.Net worth lower than one-half of paid-in capital for 6 consecutive months.
- 6.Violation of Article 17.
- 7.Upon application by the securities firm or as the TPEX otherwise deems necessary.

A disposition under the preceding paragraph to suspend operation of the business of proprietary trading of security tokens shall be filed with the competent authority for recordation. A disposition to terminate operation of the business of proprietary trading of security tokens shall be submitted to the competent authority for approval.

Article 59

If any employee of a securities firm has materially violated these Rules or other relevant requirements, the TPEX may directly notify the securities firm to give a warning to the employee, or suspend the employee's execution of business for a period of from 1 month to 6 months, depending on the seriousness of the violation.

Chapter VI Supplementary Provisions

Article 60

These Rules, and any amendments hereto, shall enter into force after submission to the competent authority for approval and recordation. Any addition, deletion, or amendment to the attachments of these Rules shall enter into force after approval by the president of the TPEX.