

Debt capital markets in Taiwan: regulatory overview

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LEGISLATIVE RESTRICTIONS ON SELLING DEBT SECURITIES

1. What are the main restrictions on offering and selling debt securities in your jurisdiction?

Main restrictions on offering and selling debt securities

The main domestic statute that offers of debt securities must comply with is the Securities and Exchange Act (SEA). According to Article 22 of the SEA, all offerings and issuances of securities in Taiwan must be filed or approved by the competent authority, except for (*Article 22, SEA*):

- Government bonds.
- Other securities approved by the competent authorities.

Corporate bonds are one form of security governed by the SEA. To make a public offering and sale of corporate bonds in Taiwan, generally the bonds must have been filed with or approved by either or both:

- Taiwan's Financial Supervisory Commission (FSC), the top financial regulator in Taiwan.
- Another relevant regulatory authority under relevant securities laws and regulations.

If the issuer is a Taiwan domestic company, its ability to issue debt securities is subject to certain restrictions. The main restrictions on a domestic company are:

- If a company fails to make any payment of its outstanding debts and the failure has not been remedied, the company cannot issue any new debt securities (*Article 250, Company Act*).
- If the company's average net profit for the previous three years does not reach 100% of the interest and premium on the bonds to be issued, the company cannot issue any new debt securities (*Article 250, Company Act*).

The value of new bonds must not exceed the balance of the company's total assets after deducting its total liabilities and intangible assets and one-half of the above balance if the bonds are unsecured (*Article 247, Company Act*).

However, if a public company plans to issue secured bonds, convertible bonds or bonds with warrants, the value of new bonds plus any outstanding convertible bonds must be less than 200% of the issuer's total assets minus total liabilities and is not subject to the restriction provided in Article 247 of the Company Act (*Article 28-4, SEA*).

If the issuer is a foreign company, both the conditions to be met and the issuance requirements differ, depending on

whether the investors are professional investors or include retail investors.

Restrictions for offers to the public or professional investors

Taiwan regulation distinguishes between an offer of debt securities to professional investors and an offer to public retail investors. In either case both must be traded on the Taipei Exchange. However, greater restrictions apply to an offer to retail investors. These include restrictions on the credit rating of the offered securities, the information to be provided to prospective investors and the language in which that information is provided. Please see the next two headings.

Corporate bonds issued to professional investors

Bonds can be issued to professional investors by a foreign corporate issuer that is either:

- Incorporated under foreign law.
- A branch of a foreign financial institution satisfying FSC requirements.

The bonds must be straight bonds denominated in foreign currencies. No credit rating is required but the following applies:

- The bonds are exempt from filing with the FSC.
- The proposed issuance must be reported to the Central Bank of the Republic of China (CBC) before issuance of the bonds.
- Trading on the Taipei Exchange is mandatory.
- The prospectus is prepared based on international market standards and can be in English.

Corporate bonds to investors including general retail investors

Bonds rated BBB or above or guaranteed by a local financial institution can be issued to investors, including general retail investors, by a foreign corporate issuer that is:

- Incorporated under foreign law and has its shares listed on the Taiwan securities market (F-company).
- Incorporated under foreign law and has its Taiwan depositary receipts (TDRs) listed on the Taiwan securities market (TDR-company).
- A branch of a foreign financial institution with a listing on a foreign stock market.
- An affiliate of a foreign corporate listed on a foreign stock exchange.
- An international organisation.

- A foreign entity that:
 - has a long-term AAA credit rating; and
 - is wholly owned by the central government of a country or the debt securities to be issued are fully guaranteed by the central government of a country.
- A foreign entity that:
 - has a credit rating not less than a Taiwan sovereign rating; and
 - is wholly owned by the central government of a country or its indebtedness is fully guaranteed by the government of a country.

There are some exceptions to credit rating requirements for international convertible bonds, bonds with warrants, and international bonds by an international organisation and a foreign entity belonging to the above last two bullet points.

Issuance of straight bonds denominated in foreign currencies to professional investors is the easiest way for a foreign company to offer and sell bonds in Taiwan. Since the system for classification by investor type was introduced in 2013 there has been no particular qualification on the issuer of these bonds.

Professional investors include:

- Professional institutional investors (such as overseas or domestic banks, insurance companies, bill finance companies, securities firms, fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, securities investment trust enterprises, securities investment consulting enterprises, trust enterprises, futures commission merchants, and futures service enterprises).
- Legal entities or funds with total assets exceeding TW\$50,000,000.
- Individuals with:
 - sufficient financial capacity (for example, their total assets exceed TW\$30,000,000); and
 - professional knowledge or trading experience in financial products.

We will call straight bonds denominated in a foreign currency and offered by foreign issuers to professional investors "professional international bonds", and we will call those bonds denominated in renminbi "professional Formosa bonds".

If the debt securities will be offered and sold to professional investors only, the requirements are more straightforward in terms of both the issuance process and the required documents. For example, for an issuance of professional international bonds, a foreign issuer can simply follow international offering standards. All transaction documents (including the prospectus), can be in English without being translated into the Chinese language.

MARKET ACTIVITY AND DEALS

2. Outline the main market activity and deals in your jurisdiction in the past year.

The amount outstanding on Taiwan's bond market continues to grow. Up to the end of 2015, a total of 1,554 bonds with a total US\$341.37 billion outstanding were listed on the Taipei Exchange. These included:

- 797 issues of local corporate bonds in the sum of US\$62.13 billion, including:
 - 500 issues of straight corporate bonds totalling US\$56.93 billion; and
 - 297 issues of convertible (exchangeable) bonds totalling US\$5.17 billion.
- 25 issues of foreign bonds issued by F-companies totalling US\$0.33 billion.
- 259 issues of international bonds totalling US\$60.01 billion.

Since December 2013, the Financial Supervisory Commission (FSC) has been aggressively promoting professional international bonds by gradually liberalising issuance criteria and simplifying the issuance process.

In 2014 the Taipei Exchange international bond market achieved the milestone of two US\$20 billion. In 2015 the Taipei Exchange (TPEX) (see *Question 5*) international bond market achieved:

- US\$33.1 billion in turnover of outright international bond trades.
- US\$34.1 in issuance of professional international bonds.
- RMB31.1 billion in issuance of professional Formosa bonds.

In efforts to expand the scale of the international bond market, diversify the range of issuer entities, and bring offshore renminbi back into the real economy, the TPEX has consistently promoted the issuance of Formosa bonds in Taiwan by foreign companies, Chinese companies and Taiwanese enterprises in China. Taiwan is now one of the world's top three offshore renminbi bond markets, along with Hong Kong and Singapore.

Among the famous foreign names that sold bonds in Taiwan in 2015 are:

- US-based telecom operator AT&T (US\$2.619 billion of bonds at 4.6% due 2045 (issued February 2015)).
- Intel Corporation, the US micro-processor manufacturing company, which issued:
 - US\$1,007 million at 4.9% due 2045 (issued 11 August 2015); and
 - US\$915 million at 4.7% due 2045 (issued 14 December 2015).

It is anticipated that because of the simple issuance procedure for professional international bonds and the relatively high interest rates, the volume of professional international bonds will continue to grow.

STRUCTURING A DEBT SECURITIES ISSUE

3. Are different structures used for debt securities issues to the public (retail issues) and issues to professional investors (wholesale issues)?

The main types of debt securities issued in Taiwan by companies are:

- Straight bonds.
- Convertible bonds.
- Exchangeable bonds.

Professional international bonds must be straight bonds (that is, plain vanilla form without any structured nature). In practice, some professional international bonds are structured as subordinated debts or with a long tenure (for example, 30 years), which features are rarely seen in bonds issued by domestic companies.

Straight bonds can be offered to retail investors if the bonds are sold through public offerings.

If debt securities are to be sold to professional investors only, the securities can be sold either by public offering or private placement.

4. Are trust structures used for issues of debt securities in your jurisdiction? If not, what are the main ways of structuring issues of debt securities in the debt capital markets/exchanges?

A trustee is a financial institution or trust company which, based on a trust agreement with an issuer:

- Acts in the interests of the debt securities holders.
- Verifies and supervises matters in relation to the issue of debt securities.
- Obtains, enforces and keeps in custody the collateral that secures the debt securities.

If there is no trustee for an issue of debt securities, the holders of the debt securities will normally perform the above functions for themselves.

If the bonds are publicly offered, an issuer will engage a trustee to act for and on behalf of bondholders. A local trustee structure is not required in a professional international bonds issuance. Issuers do not usually appoint trustees if the bonds are privately placed.

MAIN DEBT CAPITAL MARKETS/EXCHANGES

5. What are the main debt securities markets/exchanges in your jurisdiction (including any exchange-regulated market or multi-lateral trading facility (MTF))?

Main debt markets/exchanges

There are two markets for listing and trading debt securities in Taiwan:

- Taipei Exchange (formerly known as the GreTai Securities Market) (www.tpex.org.tw/web/index.php?l=en-us). The Taipei Exchange offers platforms for both centralised trading and over-the-counter negotiated trading of a wide variety of products, including stocks, bonds, exchange-traded funds, and derivatives. At present, almost all trades of publicly offered debt securities are conducted in the Taipei Exchange. Straight bonds must be listed and traded on the Taipei Exchange.
- Taiwan Stock Exchange (www.twse.com.tw/en/). The Taiwan Stock Exchange, operated by the Taiwan Stock Exchange Corporation, offers a platform for centralised trading of government bonds and bonds issued by foreign issuers. Although the Taiwan Stock Exchange is the flagship market for listing of stock by larger and more established companies, currently no bond products are traded on the Taiwan Stock Exchange.

Approximate total issuance on each market

As of July 2016, the following corporate bonds had been traded on the Taipei Exchange:

- 347 international bonds with a total US\$136.09 billion outstanding.
- 512 straight bonds with a total TW\$1,725.38 billion outstanding.
- 278 convertible or exchangeable bonds with a total TW\$140.84 billion outstanding.

6. What legislation applies to the debt securities markets/exchanges in your jurisdiction? Who are the main regulators of the debt capital markets?

Regulatory bodies

The Financial Supervisory Commission (FSC) (www.fsc.gov.tw/en/index.jsp) is the competent authority responsible for development, supervision, regulation, and examination of financial markets and financial service enterprises in Taiwan. Under the FSC, there are four subordinate agencies, each responsible for particular areas:

- Banking Bureau, responsible for banking.
- Securities and Futures Bureau (SFB) (www.sfb.gov.tw/en/), responsible for securities and futures.
- Insurance Bureau, responsible for insurance industries and markets.
- Financial Examination Bureau, responsible for supervision and examination of financial institutions.

Among the four subordinate agencies, the SFB is directly responsible for supervising and regulating both the securities and futures markets and securities and futures enterprises.

Legislative framework

The Securities and Exchange Act (SEA) is the main legislation governing the offering, issuance, and trading of securities, as well as civil and criminal liabilities for material misstatements or omissions made by issuers. The FSC is empowered by the SEA to promulgate necessary regulations and rules to implement the SEA. The Company Act also applies to companies incorporate in Taiwan.

The Taipei Exchange has adopted rules governing debt securities that are traded on it.

LISTING DEBT SECURITIES

7. What are the main listing requirements for bonds and notes issued under programmes?

Main requirements

It is not common to see Taiwan domestic companies issue bonds under programmes.

Non-China based corporate issuers. Non-China based corporate issuers include issuers other than financial institutions and China-based issuers. Currently, no particular requirements are placed on non-China based corporate issuers of professional international bonds issued under programmes. These issuers can be a listed or unlisted company, and the programme itself does not have to be listed on any exchange.

General international bonds. For general international bonds issued under programmes, the following conditions apply:

- The issuer must be a qualified foreign entity, which includes the following:
 - an F-company listed on the Taiwan Stock Exchange or traded on the Taipei Exchange for at least three years;
 - a Taiwan depository receipts company whose stock or equity securities have been listed on a foreign stock exchange approved by the Financial Supervisory Commission (FSC) for at least three years;
 - an affiliate of a foreign company, if the debt securities to be issued by the affiliate are straight bonds fully guaranteed by the foreign company provided the company's stock has, for at least three years, been listed on a foreign stock exchange approved by the FSC;
 - a foreign financial institution with a branch in Taiwan and a parent that has been listed for at least three years on a foreign stock exchange approved by the FSC.
- The net value of the issuer should be no less than TW\$500 million.
- The issuer is not currently in material breach of contract or material default on the payment of principal and interest, on any previously issued corporate bonds or other debt, or more than three years have passed since the date of resolution of any previous instance of such breach or default.
- The issuer has not been sanctioned by the FSC or by the competent authority in its overseas country of listing within the past three years for any breach of information disclosure regulations.
- Any plan for a cash capital increase or issuance of corporate bonds that received effective registration from the FSC or the competent authority of the overseas country of listing within the past three years has been executed according to schedule and with no material alteration.
- The certified public accountant engaged by the issuer has received no warning or any other more serious sanction under the law within the past three years for work related to the offering and issuance of securities.
- The lead underwriter engaged by the issuer has received no legal or regulatory sanction within the past three years ordering it to dismiss a director, supervisor, or managerial officer, or any other equally or more serious sanction, for work related to the offering and issuance of securities.

Minimum size requirements

There are no specific minimum size requirements for professional international bonds.

Trading record and accounts

There are no specific trading record and accounts requirements for professional international bonds.

Minimum denomination

There are no specific minimum denomination requirements for professional international bonds.

8. Are there different/additional listing requirements for other types of securities?

There are no different or additional listing requirements for other types of debt securities that are not issued under programmes. For convertible bonds or bonds with warrants issued by Taiwan domestic companies (whether issued under programmes or not), the minimum denomination is TW\$100,000.

CONTINUING OBLIGATIONS: DEBT SECURITIES

9. What are the main areas of continuing obligations applicable to companies with listed debt securities and the legislation that applies?

Except for issuers of international bonds whose stock or depository receipts are not listed on Taiwan stock market (see *Question 10*), an issuer of corporate bonds has periodic financial reporting obligations and other disclosure obligations:

Periodic financial reporting

An issuer must publish the following periodic financial information:

- Its full year audited financial reports no later than three months after the end of the fiscal year.
- Its quarterly reviewed financial reports for the first, second and third quarters of the fiscal year no later than 45 days after the end of the first, second and third quarters respectively.
- Operating results from the previous month no later than the tenth day of each month.

Other disclosure obligations

An issuer must make a public announcement within two days from the occurrence of any of the following:

- The annual financial reports approved by the annual general shareholders meeting are inconsistent with the annual financial reports that have been announced to the public and filed with the Financial Supervisory Commission (FSC).
- Any event that has a material impact on shareholders' equity or securities prices. (The Taipei Exchange has issued rules regarding disclosure of specific material information).

10. Do the continuing obligations apply to foreign companies with listed debt securities?

During the live term of the bonds, the foreign issuer of international bonds whose stock or depository receipts are not listed on Taiwan stock markets is subject to periodic and non-periodic reporting obligations as follows:

Periodic reporting

The foreign issuer must make periodic reports on the following, in Chinese or in English, to the website designated by the Taipei Exchange:

- Any change to the issuing details of international bonds, such as the issuance amount or outstanding amount, within ten days from the end of each month.

- An electronic copy of the foreign issuer's annual report within 20 days after the completion or printing date of the annual report.

Non-periodic reporting

A foreign issuer must report the following, in Chinese or in English, on the website designated by the Taipei Exchange, before the start of trading on the next business day:

- A material event that requires prompt reporting under the laws and regulations of the foreign issuer's home country or the country where the foreign issuer's shares are listed.
- Issuance, maturity or repurchase of international bonds.
- Any change to the credit rating of the issuer or its international bonds.
- Information regarding the appointment of or change in a liquidity provider, plus the liquidity provider's contact person and telephone number, and the bond issued.
- Any other matter that has a material effect on the price or value of the issuer's international bonds.

11. What are the penalties for breaching the continuing obligations?

For an issuer, breaching continuing reporting obligations could result in:

- An order from the Taipei Exchange requiring the issuer to provide an explanation regarding the material information.
- A penalty imposed by the Taipei Exchange.
- An administrative fine imposed by the Financial Supervisory Commission (FSC).
- Civil and criminal liability if the information disclosed in an issuer's public announcement made under its continuing reporting obligations contains any false or untrue statement or omissions.
- Suspension of trading or de-listing of securities.

ADVISERS AND DOCUMENTS: DEBT SECURITIES ISSUE

12. Outline the role of advisers used and main documents produced when issuing and listing debt securities.

Main advisers

The main advisers for an issue and listing of debt securities are:

- **Underwriter.** A lead underwriter typically carries out the work of providing advice to the issuer, managing the offering procedure, co-ordinating other advisers and underwriting the securities.
- **Lawyer.** The issuers often appoint a local lawyer to advise them on legal matters arising in connection with the debt offering and listing, including preparation of prospectus and other offering documents. For an international bond offering, a local lawyer will also issue a checklist for counsel to the Taipei Exchange to confirm certain factual matters.
- **Independent certified public accountant (auditor).** An auditor is responsible for preparing and assisting in the preparation of financial information in the prospectus.

Main documents

The following primary documents are needed for an issuance and listing of debt securities:

- Terms and conditions of the bonds.
- Prospectus.
- Various transaction agreements, including a trust deed, underwriting agreement, guarantee agreement (for guaranteed bonds) and paying agency agreement.
- Credit rating report on the bonds or the issuer.
- Listing application to the Taipei Exchange.

DEBT PROSPECTUS/MAIN OFFERING DOCUMENT

13. When is a prospectus (or other main offering document) required? What are the main publication/delivery requirements?

A prospectus is required when an issuer applies to issue debt securities. The prospectus must be filed with, and approved by, the regulator. An issuer must deliver the prospectus to potential investors when the securities offering is launched. A prospectus must be uploaded onto a website called the Market Observation Post System, which is maintained by the Taiwan Stock Exchange.

14. Are there any exemptions from the requirements for publication/delivery of a prospectus (or other main offering document)?

For issuance of debt securities by a public company, the publication and delivery of a prospectus is mandatory and cannot be exempted, unless the debt securities are sold through private placement.

A private placement is an offer of securities to the following qualified persons (*Securities and Exchange Act*):

- Qualified institutional investor. These are banks, bill finance enterprises, trust enterprises, insurance enterprises, securities enterprises, or other legal persons or institutions approved by the Financial Supervisory Commission (FSC).
- Individual meeting the conditions prescribed by the FSC. To qualify, an individual must have full knowledge of the issuer's financials and businesses and at the time of subscription for shares:
 - the individual's net assets must exceed TW\$10 million or the combined assets of the individual and their spouse must exceed NT\$15 million; or
 - the individual's annual average income must exceed TW\$1.5 million in the last two years or the annual average income of the individual and their spouse must exceed TW\$2 million.
- Legal entity or fund meeting the conditions prescribed by the FSC, which are:
 - its total assets as shown in the most recent standalone financial statements audited by accountants must exceed TW\$50 million; or
 - if the legal entity or fund enters into a trust agreement with a Taiwan trust company, the trusted assets must exceed TW\$50 million.

- Directors, supervisors and managerial officers of the issuer or its affiliated enterprises.

For the issuance of professional international bonds, a foreign issuer can simply follow international offering standards and use the template documents under the bonds programme, without the need to prepare a supplemental prospectus. However, it is recommended that certain provisions (such as the settlement procedure, Taiwan taxation and a Taiwan selling restriction) are included in the offering documents. According to FSC's requirement, the issuer of professional international bonds must prepare a cover for the offering documents, which will bind together the typical documents (generally the offering circular or prospectus, pricing supplement or final terms) with notice of the selling restriction relating to the qualification of the bond purchasers. This is normally done using a separate cover page to wrap the offering documents into one information package.

15. What are the main content/disclosure requirements for a prospectus (or other main offering document)? What main categories of information are included?

Disclosure requirements for a prospectus differ depending on whether the debt securities are to be sold to retail or professional investors. Fewer disclosure requirements apply to debt securities to be sold to professional investors.

Also, the content requirements for a prospectus vary according to the type and nature of both the issuer and the securities. For professional international bonds issued under a programme, Taiwan regulators only require that the prospectus must be in line with international financial market practice. In practice, a foreign issuer can use its existing programme to issue professional international bonds.

In general, a prospectus is prepared mainly based on the requirements under the Securities and Exchange Act (SEA), and the Regulations Governing Information to Be Published in a Prospectus for Public Offering and Issuance of Securities (Prospectus Regulations).

The Prospectus Regulations require that the content of a prospectus should be detailed, truthful, clear, and unambiguous. The descriptions should be easy to understand. No false information or omission is allowed. A prospectus must be updated in a timely manner. Any transaction or event that has occurred before the date of the prospectus and that might have an impact on a judgement by an interested party should be disclosed in the prospectus.

Prospectus for professional investors

For international straight bonds issued to professional investors only, the prospectus can be simplified to contain:

- Basic information about the issuer.
- Terms and conditions of the bonds, and the use of proceeds.
- General information about the offering, including the:
 - plan of distribution;
 - amount of underwriting fee;
 - selling restrictions;
 - contact details of the bond's underwriters, trustee, rating agency, guarantor.
- Underwriter's opinion.

Prospectus for retail investors

A prospectus for straight bonds to be sold to retail investors in Taiwan should be in Chinese (unlike a prospectus for professional investors), and the prospectus should contain additional information, including:

- Any risks associated with the creditworthiness of the issuer or the bonds.
- A condensed balance sheet and income statement for the most recent three years.
- Evidence of the bond's rating.
- The trust deed.
- The agency agreement (if any).
- Taxes payable by the bondholders in:
 - the home country of the issuer; and
 - the listing country.
- A lawyer's legal opinion on the legal compliance of the bonds.
- If the governing law of the bonds is not Taiwan law, the applicable governing law and jurisdiction, disclosed prominently on the cover of the prospectus.

Prospectus for other debt securities

For other debt securities, the main contents of the prospectus are:

- Company information, including:
 - an introduction to the company;
 - information about risk factors;
 - details of corporate structure;
 - a summary of capital and shares;
 - those securities issued by the company (bonds, preferred shares, depositary receipts, employee stock options);
 - mergers and acquisitions conducted by the company.
- Business information, including:
 - a description of company's business;
 - the industry in which the company operates;
 - its research and development;
 - its main customers;
 - its employees;
 - its record on environment protection;
 - its fixed assets and real estate;
 - its investments;
 - its material contracts.
- An offering plan, including the:
 - terms and conditions of the bonds; and
 - proposed use of proceeds.
- Financial information, including:
 - specific financial information for the most recent five years;

- audited financial reports for the most recent two full years;
- the most recent interim financial report required by law or the most recent interim financial report audited or reviewed by accountants.
- Other specific matters, including:
 - an internal control report;
 - an underwriter's opinion and lawyer's legal opinion;
 - any undertaking made by the issuer;
 - the corporate governance of the issuer.
- Any major board resolutions and shareholders' resolutions.

16. Who is responsible for the prospectus (or other main offering document) and/or who is liable for its contents?

Broadly, the prospectus is prepared by the issuer and its directors with the assistance of:

- Underwriters (who normally do the drafting).
- Auditors.
- Legal counsel.

If the major contents of a prospectus contain any false or misleading information or omissions, each of the following persons are, within the scope of their responsibilities, jointly and severally liable for damages to any bona fide counterparty (Article 32, *Securities and Exchange Act (SEA)*):

- The issuer and its responsible persons (including its directors and supervisors).
- Any employee of the issuer who has signed or sealed the prospectus to certify its accuracy in whole or in part.
- Any underwriter with respect to the securities.
- Any auditor, lawyer, engineer, or other professional or technical person who has signed or certified its opinion on the correctness of the prospectus.

All persons listed above, excluding the issuer, have a defence (discharge cause) to liability if they can prove to a court that they exercised reasonable care (for example, conducting due diligence) and had justifiable reason to believe that the major contents in a prospectus are correct. However, strict liability is imposed on the issuer so no similar defence is available to the issuer.

Any breach of Article 32 of the SEA is a criminal offence and the issuer, its responsible persons, and employees are subject to imprisonment ranging from one year to seven years and can also be subject to an additional fine of up to TW\$20 million. However, for the above persons to be subject to criminal sanction, a court would have to deem that they had deliberately committed the charged offence (that is, made a misleading disclosure by deliberately providing false information or omitting required information).

A person with a discharge cause would normally be deemed to lack the necessary intention. Therefore, liability to criminal sanction is only likely to be established if a person intentionally provides untrue, incorrect, or misrepresented major contents in a prospectus. If liability for criminal sanction is established against the issuer, it will be imposed on the person responsible for the violation (which could include the company's

Chairperson and the responsible staff, depending on the issuer's internal approval process).

TIMETABLE: DEBT SECURITIES ISSUE

17. What is a typical timetable for issuing and listing debt securities?

There is no general timetable for issuing and listing debt securities. The timetable can vary depending on whether the debt securities are offered to either professional investors or retail investors, or are privately placed.

Typically timescales for approval from the Financial Supervisory Commission (FSC) are:

- Straight bonds, three business days.
- Convertible bonds, 12 business days.
- Exchangeable bonds, seven business days.

In practice, if the bonds will be underwritten through the bookbuilding procedure the underwriting period can be as short as one day. In general, a review by the Taipei Exchange of an application for trading of debt securities will take three business days, if the Taipei Exchange receives complete application documents.

TAX: DEBT SECURITIES ISSUE

18. What are the main tax issues when issuing and listing debt securities?

The main tax issues relating to the issuing and listing of debt securities include:

- Whether withholding tax is payable on payments of principal, interest or premium on debt securities, or any tax on capital gains arising from the resale of debt securities.
- Whether debt securities are subject to securities transaction tax, either on issue or on any subsequent transfer.
- Whether there is any tax exemption or incentive to investors on interest income from the debt securities.
- Whether stamp tax should be paid if the underwriting agreement or trust deed is executed within the territory of Taiwan.
- Whether tax is payable on conversion or exchange of the debt securities into shares or on the exercise of a warrant if the debt securities are convertible bonds, exchangeable bonds or bonds with warrant.

CLEARING AND SETTLEMENT OF DEBT SECURITIES

19. How are debt securities cleared and settled and what currency are debt securities typically issued in? Are there special considerations for holding, clearing and settling debt securities issued in foreign currencies?

The settlement of trading of debt securities is normally carried out on the book-entry system maintained by Taiwan Depository & Clearing Corporation.

The settlement of international bonds can be made via Euroclear Bank SA/NV and Clearstream Banking, société anonyme.

Debt securities in Taiwan are not limited to a specific currency. In practice the most popular currencies are:

- New Taiwan dollars (TW\$).
- US dollars (US\$).
- Renminbi (CNY).
- Australian dollars (A\$).

REFORM

20. Are there any proposals for reform of debt capital markets/exchanges? Are these proposals likely to come into force and, if so, when?

There are no new proposals for reform of debt capital markets or exchanges.

For the Financial Supervisory Commission (FSC), the main objectives relating to debt capital markets remain:

- Attracting sound domestic and foreign issuers to Taiwan.
- Promoting diversification in the primary market in international bonds.
- Increasing liquidity in the secondary market in debt securities.

The FSC and the Taipei Exchange have announced and adopted several measures to effectively make the secondary market for debt securities more dynamic. These include:

- Establishing a Formosa bond yield curve. The Taipei Exchange announced on 25 May 2015 a plan to establish a

Formosa bond yield curve to provide a reference for the valuation of Formosa bonds. This will help to set up the indicators for mid-term and long-term interest rates in Taiwan's offshore renminbi market and may serve as a pricing referent for renminbi debt products in the primary market, and valuation of trading and risk management in the secondary market.

- Creating a Formosa bond index. The Taipei Exchange announced on 30 September 2015 a plan to create a Formosa bond index to serve as a basis to judge the overall performance of Taiwan's Formosa bond market and as a foundation for developing Taiwan's future renminbi debt exchange traded funds.
- Allowing retail investors to conduct repurchase agreements (repo) of professional international bonds. The Taipei Exchange announced on 16 November 2015 that it would allow retail investors to conduct repo transactions on professional international bonds.
- Allowing securities firms to establish or participate in business to consumer electronic debt trading platforms. To facilitate access to overseas channels, the Taipei Exchange announced on 16 November 2015 that domestic debt securities dealers can now establish or join international business to consumer electronic debt trading platforms (such as Reuters or Bloomberg) to quote and trade international bonds to domestic and international investors.

The FSC and the Taipei Exchange may also adopt other stimulating measures depending on the development of the debt markets.

ONLINE RESOURCES

Law Source Retrieving System of Stock Exchange and Futures Trading

W <http://eng.selaw.com.tw/News.aspx>

Description. Law Source Retrieving System of Stock Exchange and Futures Trading (System) is maintained by Root Law under the mandate of the Securities and Futures Bureau. The System provides almost all securities and futures laws and regulations, rules of exchanges and of relevant associations (such as the Taiwan Securities Association), as well as administrative rulings and explanations. The information on the System is updated every three days. The System provides English translations of the main securities laws and regulations. However, the English versions on the System are for guidance only and are not binding.

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Recent transactions

- Acting for Integrated Silicon Solution, Inc. in relation to a merger with Uphill.
- Advising on an acquisition of a local land bank company.
- Advising on syndication loans for projects

Languages. Chinese, English and French

Professional associations/memberships. Taipei Bar Association

Publications.

- Taiwan: Transfer of loans and security issues, The Securitization & Structured Finance Handbook 2015/2016, Adrian Hornbrook.
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