

## 7.3 Legal Compliance

### 7.3.1 Compliance Management Mechanism

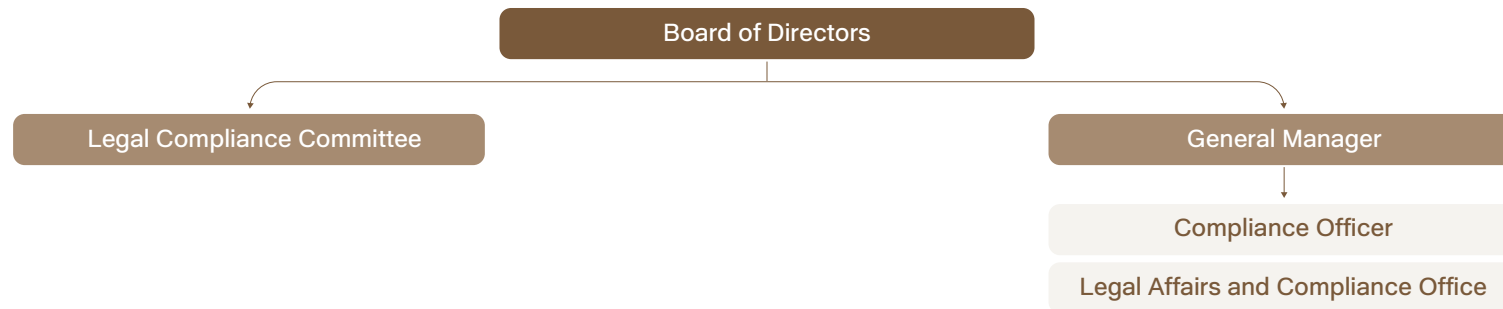
Mega Securities has established its compliance system in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" of the FSC, and designated the Legal Affairs and Compliance Office as the dedicated department in charge of the planning, management, and execution of the compliance system. The head of the Legal Affairs and Compliance Office is appointed by the Board of Directors to be the head of the Company's compliance affairs and is responsible for the overall management of compliance affairs and reporting to the Board of Directors and the supervisors every six months. In the event of a major violation of law or a downgrade from the competent authority, the compliance officer shall immediately notify directors and supervisors and report the compliance matter to the Board of Directors.

The Board of Directors has also established the Compliance Committee, chaired by the chairperson of the Board, and the Legal Affairs and Compliance Office as the dedicated department to effectively implement the promotion and execution of Mega Securities' compliance system. By doing this, we are able to achieve the goal of independent identification, assessment, and monitoring of compliance. In 2023, 5 Compliance Committee meetings were held.

#### Legal compliance education and training

To raise awareness of compliance risks and establish a culture of compliance to facilitate the effective implementation of company policies, Mega Securities encourages employees to participate in various internal and external compliance education and training. In 2023, Mega Securities provided a total of 76,654 hours of compliance training for 26,550 employees.

## ◆ Compliance management structure



### Duties of the Committee are as follows:

- Review relevant reports on regulatory compliance risk management.
- Review and approve important regulations and methodologies related to regulatory compliance that must be submitted to the Board of Directors.
- Analyze the causes and improvement plans for any penalties imposed on the Company by regulatory authorities, including corrective actions and fines.
- Analyze the causes and improvement plans for major regulatory violations or instances where the Company's rating has been downgraded by financial regulators.
- Review summary reports of compliance testing results related to any penalties imposed by regulatory authorities.
- Evaluate the adequacy of the Company's control measures in light of industry penalty cases or other significant regulatory compliance matters.
- Review reports on the execution of the regulatory compliance system.
- Review other important regulatory compliance-related issues or matters.
- Oversee the implementation of the above-related matters.

### The Legal Affairs and Compliance Office is responsible for the following compliance matters:

- Compliance Committee's conference affairs department
- Establish and maintain clear and appropriate systems for regulatory communication, coordination, and communication
- Ensure that all operational and management regulations are updated in accordance with relevant laws and regulations, so that all business activities comply with legal requirements.
- Oversee and ensure that each department regularly conducts self-assessments of compliance
- Implement appropriate and relevant legal training to personnel across departments
- Address any other matters required by regulatory authorities

## 7.3.2 Penalties

In 2023, Mega Securities was notified of a total of 3 fines by the competent authorities, with a total fine of NTD 720,000. Relevant measures have been implemented to strengthen control and prevent similar incidents from recurring. Mega Securities has set the materiality threshold to refer to a disciplinary action of warning or higher by the competent authority, a single fine of NTD 1 million or higher, or compliance with the “Significant Penalties as Stipulated in the Measures for Handling Significant Penalties for Violations of the Financial Services Act by the Financial Supervisory Commission”. In 2023, there were no penalties for reaching the material threshold and no incidents related to anti-competitive behavior, anti-trust, and monopoly. There were no violations of information, labeling, and marketing communication incidents or voluntary regulations related to products and services.

Case description	Fines	Other penalties	Improvement measures
Keeping blank power of attorney signed by clients in advance, accepting customers to place orders through social media software (Line) in violation of regulations, and having loans with customers.	NTD 480,000	Correction; The sales personnel suspended business execution for one year.	<ol style="list-style-type: none"> <li>1. Strengthen the function of the second line of defense and track the improvement of disciplinary cases.</li> <li>2. Examine whether the internal management measures of each department are reasonable and effective in reducing compliance risks.</li> <li>3. The deficiencies are listed as internal audit items that are handled daily.</li> </ol>
Accepting client's full authority to buy and sell securities in terms of type, quantity, price, and purchase or sale.	-	Correction; The sales personnel and the immediate supervisor were dismissed from duty and the accreditation terminated.	<ol style="list-style-type: none"> <li>1. Issue a report on improvement and preventive measures.</li> <li>2. The deficiencies are listed as internal audit items that are handled daily.</li> </ol>
Custodianship of settlement funds for clients, provision of settlement services, and loaning of funds with clients	NTD 240,000	Correction; the sales personnel suspended business execution for three month.	<ol style="list-style-type: none"> <li>1. Randomly conduct telephone recordings of sales personnel and conduct customer goodwill care interviews.</li> <li>2. The deficiencies are listed as internal audit items that are handled daily.</li> </ol>

### 7.3.3 Audit System

In accordance with the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" issued by the Financial Supervisory Commission, Mega Securities has appointed a Chief Auditor under the Board of Directors. An Audit Office has also been set up with a number of auditors to assist the Board of Directors and management in auditing and evaluating the effectiveness of the internal control system. The internal audit unit reports to the Board of Directors every year to discuss the annual internal audit plans (including securities and futures business) of the headquarters and branches, handles the audit plans of subsidiaries, and strengthens the risk assessment-based audit plan in accordance with the abovementioned standards. The internal audit unit plans to faithfully disclose in the audit report any deficiencies and anomalies found in the internal control system in an audit, and follows up after the report has been reviewed to ensure that relevant units have taken appropriate improvement measures in a timely manner. After completion, the audit report is submitted to the independent directors and supervisors for review by the end of the month, and the General Auditor will attend the Board meeting regularly to report the audit business report.

#### Test status

Status of audit professional licenses obtained or relevant tests passed at the end of 2023	
Title of test or license	Number of people passing
Banking Internal Control and Internal Audit	43
Internal Auditor	1
Computer Auditor	0
International Internal Auditor	0
Internal Auditor Qualifications	189
Accountant	3