

# 證券櫃檯買賣中心 Taipei Exchange



**Expanded Capital Access  
Solid Investment Venue**





# TPE<sub>x</sub> Features

As one of the securities exchanges in Taiwan, the Taipei Exchange has long been dedicated to assisting high-tech, innovative, small and medium enterprises, or micro enterprises to become listed and to raise capital from a comprehensive range of investors. The TPE<sub>x</sub> aims to become a multi-functional, multi-tiered, and full-fledged exchange that offers a Main Board for listing, an Emerging Stock Market (ESB) for pre-listing preparation, a "Go Incubation Board" for micro and small enterprises, and a "Gofunding Zone" that matches sponsors with innovative ideas. In the respect of trading system, the TPE<sub>x</sub> is striving to incorporate electronic auction trading and negotiated trading systems, which therefore allow more varieties of products, such as stocks, bonds, ETF, TDR and derivatives, to be traded on our platforms. The three new trading platforms: the Listed Open-ended Funds Platform, the IRS Trading System & Platform, and the Gold Trading Platform, have satisfied investors' needs in the fashion of diversified trading means.

In February 2015, the exchange formerly known as the GreTai Securities Market (GTSM) has changed to the Taipei Exchange. The name change is expected to give a valuable boost to the TPE<sub>x</sub>'s international promotion efforts, to make the TPE<sub>x</sub> more easily recognized internationally, and to help listed companies achieve more effective international marketing and branding.

## Multi-level Market

Meet Enterprises Needs

Non-public companies (Sponsorship platform)

Gofunding Zone

Non-public companies  
(financing channel)

Go Incubation Board

Emerging Stock Market

Public companies

Public companies

Main Board

## A wide variety of Products and Services

Financial Supervisory Commission;  
Securities and Futures Bureau

Taiwan Stock Exchange

Taipei Exchange

Taiwan Futures Exchange

Taiwan Depository & Clearing Corporation



Auction System  
(auto-matching)

- TPE<sub>x</sub> Listed stocks
- Warrants
- TDR
- ETF
- Convertible/Exchangeable Bonds

Electronic Negotiation  
Trading System

Emerging Stocks

Bonds

Derivatives

Listed Open-ended Funds

Gold

Equity  
Crowdfunding Services

Go Incubation Board for Startup and Acceleration Firms (GISA)

Information Platform

Gofunding Zone

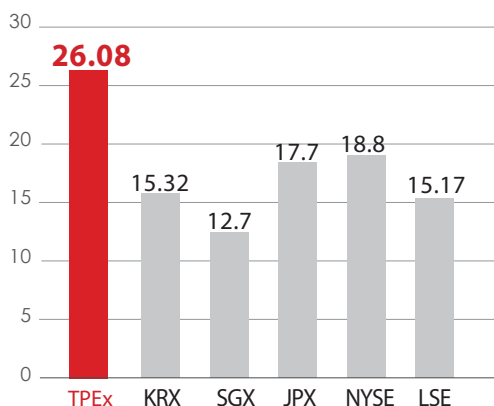
Information Platform for the Chain of Industrial Value Creation



# Main Board

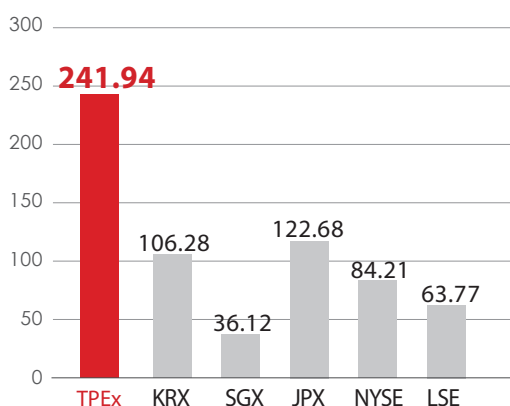
The TPEX is a unique exchange in its industry, which has maintained an impressively high P/E and turnover ratio comparing to most exchanges in the world. Other than that, the TPEX listed companies are from various sectors but have significant cluster effect and distinct brand image. In recent years, emerging industries such as biomedical and online games have been able to thrive on innovations along with improving revenue and profitability by raising capital through the TPEX. We not only provide means for industries to grow, but a secured platform for public to invest. The TPEX is devoted to supporting industrial development, to providing service to investors, and to stimulating capital market. Our core business is not only to serve corporations for capital raise, but moreover to serve public with investment needs.

## High P/E Ratio



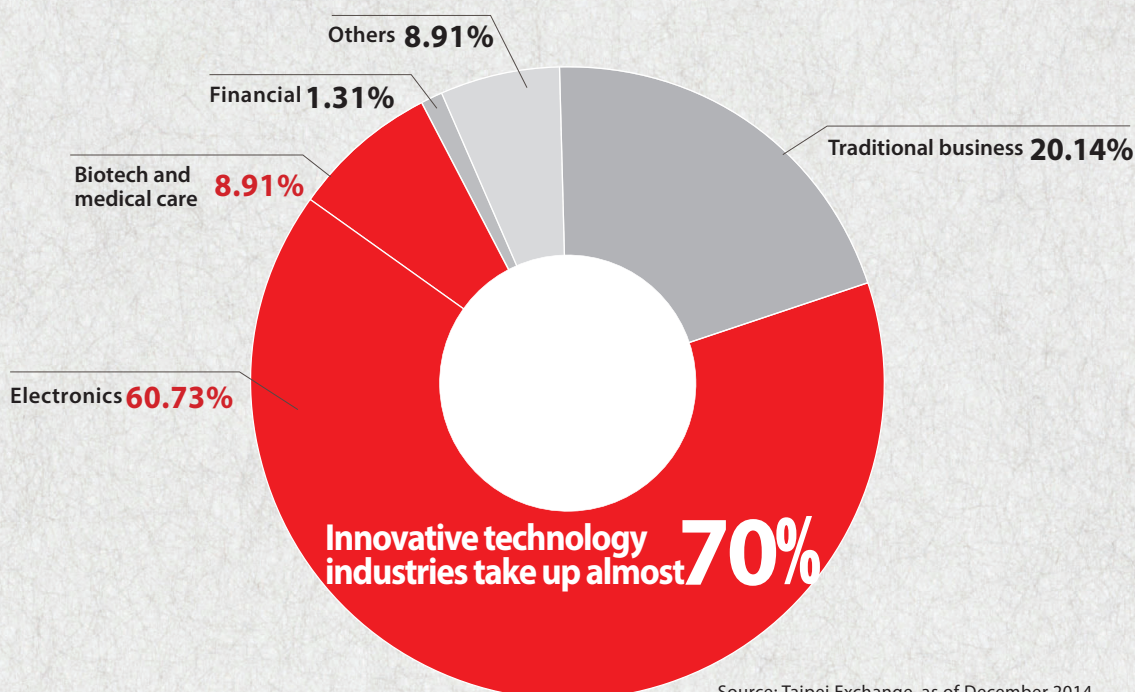
Source: Securities and Futures Bureau, "Major Indicators of Securities & Futures Market", December 2014

## High Turnover Ratio



Source: Securities and Futures Bureau, "Major Indicators of Securities & Futures Market", December 2014

## Industry distribution of TPEX listed companies ◆◆◆◆◆



Source: Taipei Exchange, as of December 2014



# Emerging Stock Board

The TPEX Emerging Stock Board (ESB) was established in 2002. Unlisted public companies are required to be registered on ESB before listing, and which shares are able to trade through ESB's negotiated trading system. ESB on one hand helps companies to familiarize with capital market mechanism, the relevant laws, and regulations before listing, and on the other hand provides a legal, secured, and transparent trading market for investors to trade unlisted stocks.

A public company applying for registering as an ESB company does not have to meet any capitalization, earnings, or years of establishment requirements, but must be recommended by at least two securities firms. After the TPEX's approval, the stocks of the applied company are able to trade; the whole review process normally is no longer than 9 days. As of December 2014, a total of 1,381 companies had registered as ESB companies; among those, 799 are successfully listed on the TPEX main board or TWSE main board.

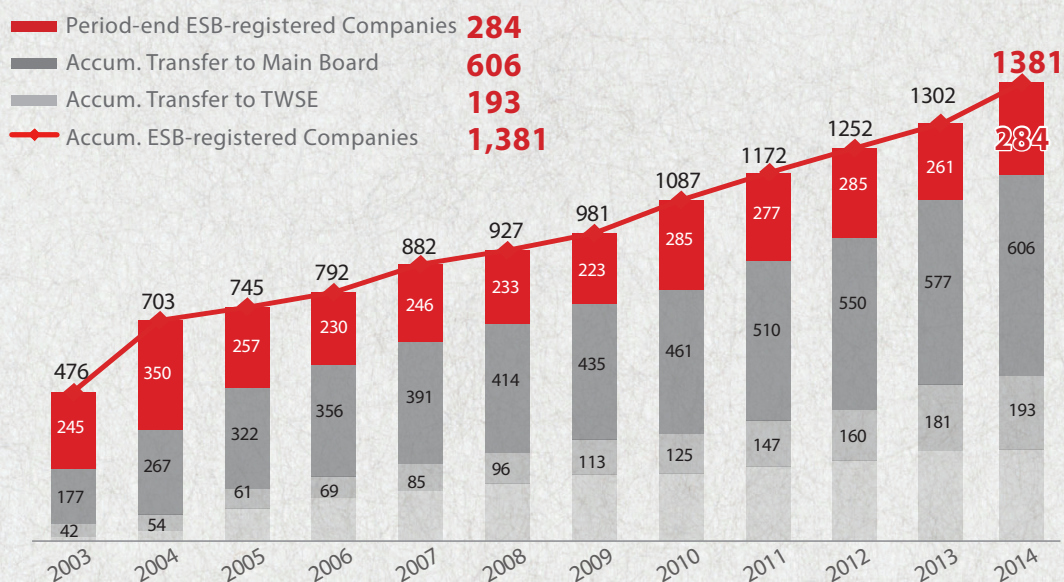
## The ESB trading system ◆◆◆◆◆

Regarding the trading of ESB, market-making is undertaken by securities firms which are also recommended firms for registering companies, and then market-makers' quotes lead the market. The ESB is also adopting negotiated trading. Negotiated trading gives both buyers and sellers more flexibility in terms of trading price and quantity. Therefore ESB trading means are significantly different from the main boards.

An investor can place orders into the TPEX's computerized negotiated trading system to buy or sell emerging stocks through a securities broker to negotiate the trade with the recommending securities firms (market-makers). Alternatively, rather than using the computerized trading system, an investor who wants to trade 100,000 more shares or NT\$ 5 million trading amount of an ESB company, can contact the recommending securities firm directly to negotiate the terms of the trade.

New trading rules have been introduced to the market since January 2013. New rules include giving priority to the best quotes and to the earliest quotes, real-time order match, and segmented minimum quote shares requirements. By doing so, market-makers have more incentives to make better quotes and then the quote quality is therefore improved. Investors are able to deal at prices better than what they have ordered. As a result, the market efficiency is enhanced and more potential investors would be attracted to the ESB. In October 2014, numerous new policies have been implemented, including: allowing trading emerging stocks through an omnibus trading account; adding new method to price negotiation with customers at the securities firm's place of business; and allowing offsetting settlement of securities firm's error accounts.

## ESB Accumulative Registered Companies 1,381





# Innovative Service Platform

## Go Incubation Board for Startup and Acceleration Firms (GISA) — opportunities for micro and small enterprises ◆◆◆◆

The Go Incubation Board for Startup and Acceleration Firms (GISA) came online in January 2014.

GISA acts as a platform for micro- and small-sized non-public innovative companies to raise needed capital. GISA offers integrative entrepreneurship counseling mechanism and capital raising functions, but without trading functions.

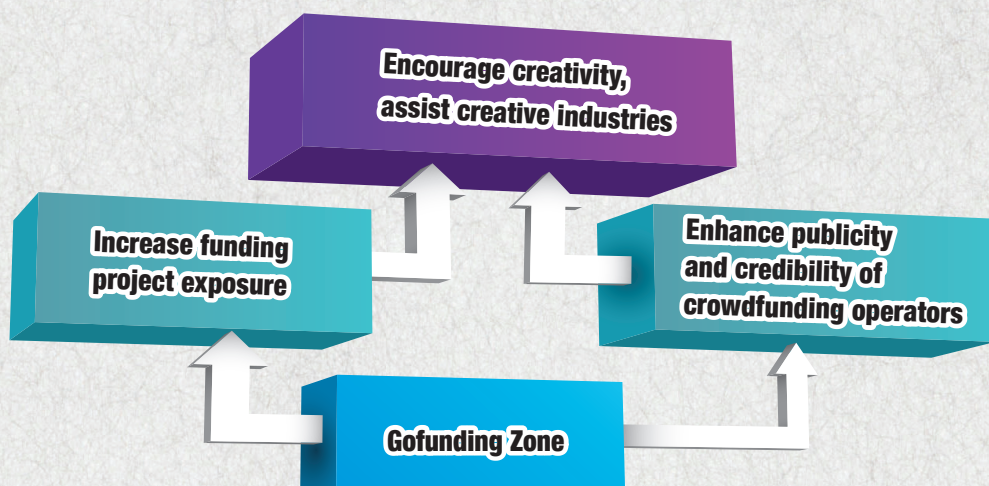
The integrative counseling mechanism includes counseling services regarding accounting, internal control, marketing, and regulatory aspects so that micro- and small-sized non-public innovative companies are able to set up and effectively execute moderate accounting systems and internal control. GISA is aimed to help foster the micro- and small-sized innovative companies to apply for retroactive handling of public offering procedures, emerging board and main board of the TPEx after registering on GISA.



## Gofunding Zone ◆◆◆◆

The Gofunding Zone was launched in August 2013 to provide a way for innovators to publish their ideas and seek support from the public to transform their dreams into reality. At the same time, innovators make a commitment to provide sponsors with innovative products in return.

The TPEx's collaboration with crowdfunding platform operators on synchronizing funding project information disclosed on crowdfunding platform websites and the TPEx Gofunding Zone webpage has increased funding project exposure. The role of the TPEx includes moderate managing of crowdfunding platform operators, monitoring of funding proposal review, as well as controlling funds transfer and funding project execution. The TPEx encourages operators to use banks as intermediaries (i.e. using a third-party payment system or trust account) to process funds transfer from sponsors to innovators. Using a third-party payment system reduces concerns over the transfer of funds and enhances overall credibility of the platform operators.





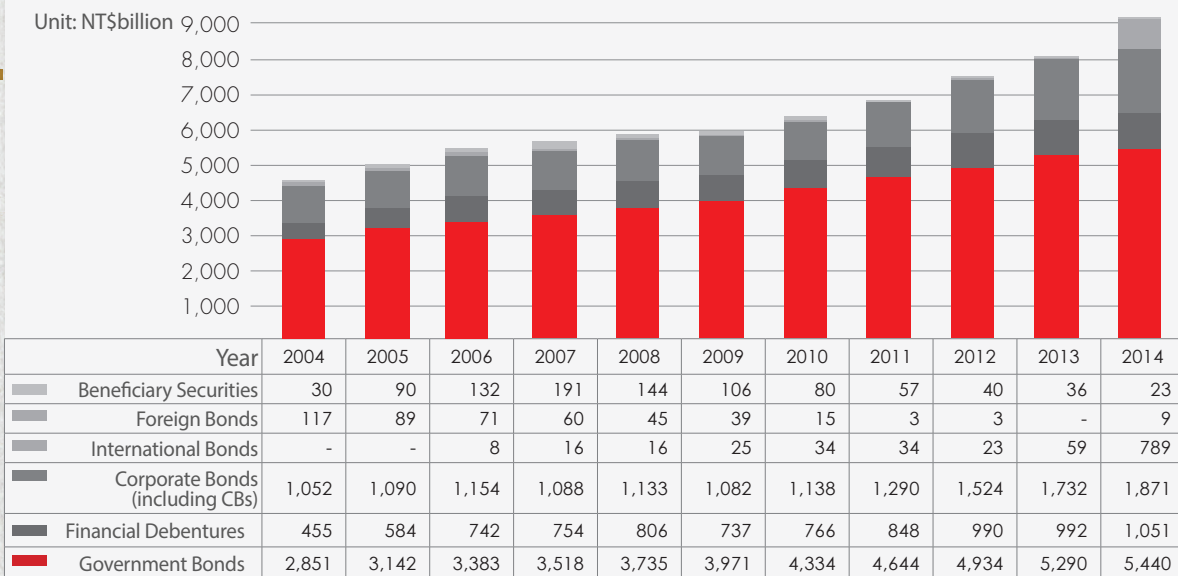
# Bond & Derivatives Market

The bond market ranks alongside the stock market as one of the most important constituent elements of capital markets. The TPEX has been involved in the administration of Taiwan's bond market ever since its establishment and has worked actively to develop bond trading and other relevant systems. Currently, almost all Taiwan government bonds, all corporate bonds and financial debentures trading takes place on the TPEX platform. The TPEX is recognized as one of the iconic bond trading markets in Asia. In addition, the TPEX has developed interest rate and bond derivatives markets and built financial instrument trading systems; products trading on the market include New Taiwan Dollar interest rate swaps, swaption, bond options, convertible bond asset swaps and bond forwards. In these days, the TPEX tunes its policy to encourage foreign bonds issuing in Taiwan. In this regard, the TPEX launched Renminbi (RMB) denominated bonds, named Formosa Bond in 2013. By introducing diversified products to the market, the TPEX bond market is gradually striding toward international standards.

The TPEX has established an electronic bond trading system, which covers the whole trading process from quotation and dealing through to risk management and settlement, has marked the beginning of a new era of electronic trading for Taiwan's bond market. The TPEX has also introduced international bond trading system and foreign government bond trading platform. In recent years, the TPEX has established NTD interest rate swap (IRS) trading platform, to provide a more efficient trading environment.

To expand the domestic bond market scale and open more businesses to securities firms, the TPEX began allowing OTC trading of unlisted foreign bonds between securities firms and professional institutional investors starting in 2013. On the other hand, in the continuing effort to expand our international bond market, the TPEX has implemented several new measures including adopting a two-tier management system for international bond market. It is hoped that these relaxed measures for professional board issuers will enhance the breadth and depth of financial market services to provide financial institutions with more instruments for business development, satisfy investors' demands for diversified investment options, and achieve the goal of retaining money and talent in Taiwan that is revealed in the Financial Import Substitution Program.

## Highlights of Bond Outstanding ◆◆◆◆◆



## Formosa Bond ◆◆◆◆◆

To address the demand of investors, companies, and the government's policy to develop "financial businesses specifically relevant to the nation's cross-strait relations", the TPEX has made the necessary preparations to better accommodate future financial services and to satisfy the need of investors for more diverse financial investment options, and therefore introduced "Formosa Bond."

Bonds denominated in foreign currencies offered and issued in Taiwan by domestic and overseas issuers are called International Bonds. Bonds denominated in RMB are specifically called Formosa Bonds.

As of March 2015, there were 159 issues of international bonds outstanding, including 64 RMB-denominated Formosa bonds with total offering amount of 43.1 billion RMB, 86 USD-denominated bonds with total offering amount of US\$ 30 billion, 7 AUD-denominated bonds with total offering amount of 630 million AUD, 1 ZAR-denominated bond with offering amount of 600 million ZAR, and 1 JPY-denominated bond with offering amount of 5 billion JPY.



# Diversified Trading Platforms

## Listed Open-ended Funds Platform ◆◆◆

To make it more convenient for the public to invest in funds, the TPEX establishes a listed open-ended funds platform which was officially launched on October 27, 2014. The platform enables investors to buy and sell funds offered by a number of securities investment trust enterprises (SITEs) through their existing securities account and using the same Taiwan Depository & Clearing Corporation (TDCC) passbook they already have. It also provides an additional sales channel for SITEs, offers investors more asset allocation options and helps enlarge the size of funds offered by SITEs. By the end of 2014, 18 funds offered by 8 SITEs are listed on the platform.

Through this platform, investors can make trades with market makers based on the quoted/negotiated prices without waiting until the afternoon every day or the next day when the NAV of the fund is published to learn the purchase/redemption prices. Investors can also place orders on different domestic funds through their securities account, which saves investors the hassle of opening a trust account with the bank that sells the fund or opening an account with individual SITE. In addition, when investors purchase domestic funds directly from a SITE or through a bank, they must make full payment right away, and when they sell the fund shares, they have to wait 2-3 business days before they receive the sales proceeds. Through this platform, trades are settled on a net basis on the second business day after transaction along with the trades of emerging stocks, thereby giving investors great flexibility in fund utilization. It also enables investors to avoid triggering the issue of fund short-swing trading that incurs additional costs through transfer in the secondary market and helps stabilize the fund operation. On the other hand, as market makers purchase fund shares from SITEs in view of market demands and supplies, it will help increase the fund size.

## IRS Trading System & Platform ◆◆◆

In order to implement the competent authority's policy of import substitution in the financial sector, Taipei Exchange designed the NTD Interest Rate Swap (IRS) trading platform which was officially launched on December 1, 2014. Currently, a total of 37 financial institutions utilize the platform for trading. The IRS platform allows traders to choose 1-year, 2-year, 3-year, 4-year, 5-year, 7-year, 10-year, 15-year, and 20-year IRS contracts with a notional principal of NT\$300 million or NT\$500 million that are tied the historic benchmark interest rates provided by TAIBOR and TAIBIR 02. Through IRS transactions, financial institutions can change a fixed rate income/payment to a floating rate income/payment or vice versa to manage or change their future cash flows and hedge against interest rate risk.

## Gold Trading Platform ◆◆◆

To provide investors with more options in building up portfolio and open more businesses to securities firms, the TPEX has launched the Gold Trading Platform on January 5, 2015. As of Month end of February 2015, Bank of Taiwan (AU9901) and First Bank (AU9902) have listed gold products.

Investors can carry out the trading of gold through their existing securities account after signing a gold risk disclosure statement. The trading system of the Gold Trading Platform is generally the same as that of emerging stocks, a market led by market-maker's quotes. The settlement of gold transactions will be carried out together with that of emerging stocks. Under this mechanism, buying and selling gold through the Gold Trading Platform is just as simple and convenient as buying and selling stocks.

To encourage investors and dealers to participate in platform trading, the TPEX introduces a one-year incentive program starting from January 5, 2015. On top of the incentive program, gold market-makers are working on minimizing the spread.



# About Taipei Exchange

The Taipei Exchange was established on November 1, 1994, in accordance with the provisions of the Securities and Exchange Act. The TPEx's initial funds were contributed by the Taiwan Securities Association, the Taiwan Stock Exchange and the Taiwan Depository & Clearing Corporation. The TPEx's Board of Directors enjoys a high degree of independence and is dedicated to public welfare. No more than one third of the Board members may be held by the organizations of the initial donors, and at least one third of the Board members must represent members of the Taiwan Securities Association.

With our strategy in ensuring information transparency, fair trading practices, and greater financial diversification and guided by our goal of liquid market, vibrant economy and abundant capital, we are committed to offering as a top-quality platform where innovation drives progress and more options are provided to corporations and investors.

In 2014, the TPEx participated in World Bank's "SME Access to Equity Market" program and provided its experience in assisting SME in raising funds for the reference of other emerging markets in building a capital market. The TPEx is also actively seeking opportunities to work with other emerging markets. With its strategy in developing indices, the TPEx hopes to bring more choices to the indices and ETF product line and therefore a reference for investors in planning their investment portfolio.



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**Cordinal Service**

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