As a keynote in Taiwan’s securities market, the Taipei Exchange (TPEx) has long been dedicated to assisting high-tech, innovative, small and medium enterprises to list and to raise capital from a comprehensive range of investors. TPEx is positioned to become a multi-functional, multi-tiered and full-fledged exchange with a comprehensive suite of services, offering listing and trading platforms for equity, derivatives, and debt securities. What distinguishes the TPEx from other major exchanges in the world is its bond market boards. Since the TPEx is given the accountability by the competent authority to supervise and manage the fixed income market in Taiwan, it has long been featuring the debt securities boards, which most counterparts don’t have globally.

**Bond market**

Both the bond and stock markets are important components of the capital market, and the TPEx has been overseeing the bond market since its inception. With rare exceptions, all bonds issued in Taiwan, including government bonds, corporate bonds, financial debentures, and international bonds are listed on the TPEx.
International bond market

In Taiwan, the rapid market development of foreign currency bonds, i.e. international bonds, is an important milestone for the globalization of the TPEx debt-related product market. By definition, bonds denominated in foreign currencies offered and issued in Taiwan or overseas by domestic and foreign issuers are called international bonds. Bonds denominated in Renminbi (RMB) are specifically called Formosa bonds. TPEx has also adopted a two-tier management system for the international bond market, which simplifies the issuance procedures for professional-grade bonds. This initiative has enhanced the breadth and depth of the international bond market, created more business opportunities for financial institutions, and met the diverse wealth management needs of domestic investors.

Two-tier management

Since Aug. 2013, the international bond market has been classified into two categories, the professional board and the general board. The regulation relaxation into two tiers was established with an aim to reduce issuance requirements and simplify application procedures for debt securities sold exclusively to professional investors. Meanwhile, the general board still maintains the same listing standards and requirements to protect retail investors.

<table>
<thead>
<tr>
<th>International bonds</th>
<th>Professional Board (sold exclusively to PI)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Board (sold to PI and Non-PI)</td>
</tr>
</tbody>
</table>

Regarding detailed requirements of these two boards, please refer to the table below.
<table>
<thead>
<tr>
<th></th>
<th>Professional Board</th>
<th>General Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors</td>
<td>*PI</td>
<td>PI and Non-PI</td>
</tr>
<tr>
<td>Bond type</td>
<td>Straight bonds, or financial debentures</td>
<td>Straight bonds, financial debentures, CB, or Warrant bonds</td>
</tr>
<tr>
<td>Issuer qualification</td>
<td>1. A foreign central or local government with a sovereign rating or issuer rating report of BBB or above &lt;br&gt;2. A supranational entity; or &lt;br&gt;3. A qualified company organized, registered, or established under the laws of a foreign nation, or its subsidiary; or &lt;br&gt;4. A foreign financial institution or a branch or subsidiary; or &lt;br&gt;5. A qualified entity registered in the PRC (RMB denominated bonds only)</td>
<td>The issuer’s or parent company’s equity must be listed on recognized stock exchanges</td>
</tr>
<tr>
<td>Credit rating</td>
<td>Not Needed</td>
<td>Required (BBB or Above)</td>
</tr>
<tr>
<td>Trustee</td>
<td>Not Needed</td>
<td>Needed</td>
</tr>
<tr>
<td>Approvals from the Central Bank</td>
<td>Not Needed</td>
<td>Needed</td>
</tr>
<tr>
<td>Approvals from Financial Supervisory Commission</td>
<td>Not Needed</td>
<td>Needed</td>
</tr>
<tr>
<td>Governing Law</td>
<td>Not regulated</td>
<td>ROC</td>
</tr>
<tr>
<td>Financial disclosure</td>
<td>Not regulated</td>
<td>Comply with Taiwan Securities and Exchange Act</td>
</tr>
<tr>
<td>Prospectus</td>
<td>English or Chinese</td>
<td>Chinese</td>
</tr>
<tr>
<td>Documentation</td>
<td>Standalone or EMTN issue format in line with international practice</td>
<td>Regulated by ROC</td>
</tr>
</tbody>
</table>
*PI, professional investors, including the following groups:

- professional institutional investors
- corporates with assets exceeding NTD50mn (USD1.6mn), and with adequate professional knowledge or trading experience with respect to debt products
- individuals with net worth exceeding NTD30mn (USD1mn), and with adequate professional knowledge or trading experience with respect to debt products

**A flourishing market**

Our international bond market has been flourishing since the inception of the two-tier management system amid growing demand for foreign currency denominated debt securities from insurance firms on the Island. Regulation relaxation has significantly eased the issuance and placement burden and subsequently encouraged more listings with the TPEx.

The other cause to boost bond issuance is our constantly high insurance premium income. Taiwanese people prefer placing their money in insurance related products as opposed to bank deposits. Nationwide, life insurance penetration rate ranks #1 in the world, with people saving almost 19% of household income in insurance related products. In addition, the prevailingly low interest environment provides strong incentive for domestic insurance firms to add foreign-currency positions into their portfolios to raise investment return.

Since the interest rate environment and local saving custom can remain stable in the long run, the international bond market keeps flourishing and still has potential to provide a good vehicle of funding and investing for issuers and insurers alike. As a key market participant, the TPEx has been sparing no effort to support the government, and will go on to liaise between the competent authority and other participants to help develop the market.

**Related issuance and listing regulations**

For detailed regulation, please refer to the following rules:

- Regulations Governing the Offering and Issuance of Securities by Foreign Issuers
- Regulations Governing the Offering and Issuance of Securities by Issuers
• Regulations Governing the Offering and Issuance of Overseas Securities by Issuers
• Regulations Governing the Issuance of Financial Debentures by Banks
• Per 3 April, 2018 Letter No. Financial-Supervisory-Securities-Corporate-1070106121 of the Financial Supervisory Commission
• Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds
• Taipei Exchange Operational Directions for Green Bonds

Listing fee schedule

• Listing fee: A listing fee is paid on an annual basis of 3/10,000 of the total nominal value of the bond issue, or the balance of outstanding debt securities, provided that the minimum listing fee is NT$50,000 and the maximum is NT$500,000 for each issuer each year.

• Administrative fee: The administrative fee is NT$70,000 for bonds of each maturity. The payment can be made in NT$ or the denomination currency of the international bond. However, in the following conditions, the administrative fee is NT$ 100,000.
  ■ A new issuer issuing the bond on the Taipei Exchange for the first time.
  ■ An issuer issuing the bond with a new MTN program.
  ■ An issuer issuing the bond with a standalone prospectus.

Continuing obligations

• The issuer shall report the following information in Chinese or English on a regular basis:
  ✓ Any change in issuance data for the preceding month shall be entered into the TPEx-designated information reporting website within 10 days after the end of each month.
  ✓ Within 20 days after the completion or printing date of the annual report, an electronic file containing the annual report shall be transmitted to a TPEx-designated information reporting website.

• The issuer shall report the following information on a non-regular
basis:

✓ Information for which prompt reporting is required by the laws and regulations of the issuer's home country or the place where its shares are traded; a branch of a foreign financial institution, or a company controlled by another company, shall additionally include information for which prompt reporting is required by the laws and regulations of the home country of its home office or another company, or of the place where the shares thereof are traded.

✓ The issuance, maturity, or repurchase of bonds, or the allotment of shares in accordance with regulations.

✓ Any change in the credit rating of the issuer or the bond.

✓ Information related to the liquidity providers.

✓ Any other matter having a material influence on the price or value of the bond.

Our dedicated team for international bond listing:

For more information, you may consult with local underwriters. Also, please do not hesitate to contact us for your valuable feedback.

Richard Liu, Deputy General Manager, richard@tpex.org.tw

Kevin Lin, Vice President, yuchung@tpex.org.tw

Kenny Tseng, Senior Manager, paotzu@tpex.org.tw

Ivana Chen, Manager, ivanachen@tpex.org.tw

Tinna Chen, Manager, tinnachen@tpex.org.tw