



Chapter 1 **SUSTAINABLE MARKET**

SPECIAL COLUMN: NATIONWIDE ACTION ON
ANTI-MONEY LAUNDERING AND COUNTER
TERRORISM FINANCING

1-1 GROWTH SUPPORT

1-2 ROBUST DEVELOPMENT

1-3 EXCHANGE WITH THE PARTNERS

SPECIAL COLUMN

Nationwide Action on Anti-Money Laundering and Counter Terrorism Financing

In the fourth quarter of 2018, Taiwan successfully passed the 3rd Round of mutual review by the Asia/Pacific Group on Money Laundering (APG) and won the highest rating “general tracking”. This accomplishment was made possible through joint efforts from the government, peripheral securities and futures units, and securities firms, among others. The evaluation enabled Taiwan’s effort be recognized and upgrade its international image. With a more transparent and orderly financial environment, Taiwan is a new role model for anti-money laundering in the Asia Pacific Region.

TPEX was honored with an award presented by the Executive Yuan on October 3, 2019 for its efforts to promote anti-money laundering and counter terrorism financing.

Action to Reinforce the Securities Market

TPEX, together with the Taiwan Stock Exchange, is authorized by the competent authority to inspect operations of securities firms and enhance their capabilities in anti-money laundering and counter terrorism financing. The international standards announced by the Financial Action Task

Force on Money Laundering (FATF) which relevant to financial institutions the most are the six core issues stating in Direct Accomplishments 4. TPEX taking the six core issues as the base for designing the inspections and assisting items to help securities firms establish their internal operating procedures, identify related risks associated with anti-money laundering and counter terrorism financing, and adopt appropriate control measures.

During promotion period, TPEX assisted the securities firms to get prepared and conducted exceptional inspections afterwards for around 25 firms. This process helps to understand the problems encountered by securities firms in implementing anti-money laundering procedure. TPEX summarized common deficiencies among the securities firms and provided to the competent authority for reference. Requirements such as those in Article 45 and Article 46-5 are amended to the Taipei Exchange Rules Governing Securities Trading. This amendment is to govern necessary



TPEX was honored with an award presented by the Executive Yuan for its efforts to promote AML/CTF

documentation on the status of the client (including overseas Chinese or foreigners, or investors from Mainland China) to be enclosed in order to open an account with a securities firm as required by the Regulations Governing Anti-Money Laundering of Financial Institutions.

TPEX held 6 workshops in total throughout 2019 where experts from the competent authority, the anti-money laundering office of the Executive Yuan, and the Investigation Bureau were invited to give a lecture to an audience consisting of integrated securities firms, professional securities dealers, practitioners at financial institutions that deal with bonds, and directors and upper managements at securities firms. They communicated face to face and discussed anti-money laundering-related issues in order to build ideas about prevention and shape a corporate culture of anti-money laundering and counter terrorism financing in securities firms.

Six core issues for evaluation

- ✓ 1. The extent of knowledge about money laundering/terrorism financing risks and their obligations
- ✓ 2. The risk mitigation measures adopted comparable to the associated risks
- ✓ 3. Adequacy of customer due diligence and record preservation practices adopted. When customer due diligence is incomplete, to what extent would an enterprise reject the business?
- ✓ 4. Adequacy of strengthened or substantial measures enforced on politically exposed persons (PEPs), correspondent bank business, utilization of new technologies, remittance restrictions, targets of sanctions for terrorism financing, and determined high-risk countries
- ✓ 5. Fulfillment in the declaration of suspicious money laundering or terrorism financing transactions. What are the actual measures taken to ensure confidentiality?
- ✓ 6. Adequacy of internal control and procedures implemented to ensure compliance with anti-money laundering/counter terrorism financing requirements. How much interference is from the laws and regulations and the competent authority with the implementation?

1-1 | GROWTH SUPPORT

1-1-1 Supporting Quality Enterprises in Growth

Convenient and Quick Corporate Fund-raising

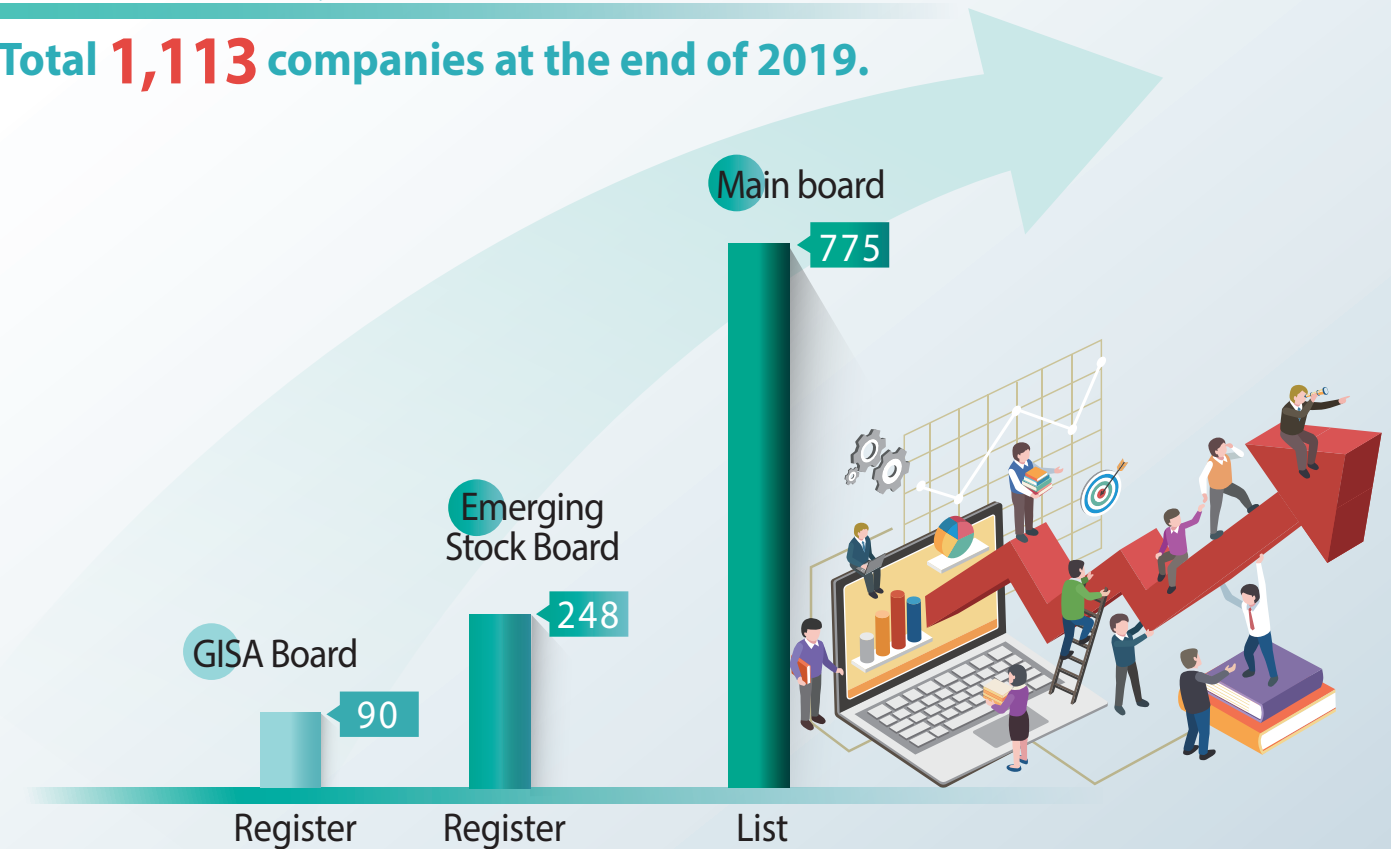
Since it was established in 1994, TPEX has been devoted to the development of the Main board business. In order to satisfy the needs of enterprises varying in scale for developments, the emerging stock board was introduced in January 2002 to help public companies get familiarized with applicable laws and regulations for the securities market before they are listed on the Main board and publicly traded. The needed funds may also be raised from the capital market. Meanwhile, investors are provided with a safer and more convenient trading platform for stocks which are not yet available on the Main board and publicly traded. The GISA was introduced in January 2014 to help with non-public, micro-and small-sized venture businesses. TPEX, with its enhanced market scale, is now of a multi-layer structure, and has been sparing no efforts in helping domestic and foreign quality enterprises enter the capital market. Over the years, TPEX is proactively assisting quality enterprises to take the strength of the capital market to transform and grow stronger.

As of the end of 2019, TPEX has helped a total of 2,235 public companies enter the capital market, including 1,303 on the Main board and 1,667 on the emerging stock board (of which 735 are now on the Main board).

On January 29, 2019, the convertible preferred stocks issued by the Main board company were first listed and traded on the Main board. The benefits of issuing preferred stocks include that no increase in the debt ratio from raising capital, which helps not only improve the financial structure, but also slow down share dilution. The impacts on shares are relatively minimal compared to issuing new common stocks. In addition, preferred stocks are listed for liquidity. In an effort to enable the Main board enterprises to raise funds via multiple and flexible instruments, listed foreign companies to apply for listing of preferred stocks is allowed on May 5, 2020.

Multi-tiered market to satisfy the needs of enterprises varying in scales of development

Total **1,113** companies at the end of 2019.



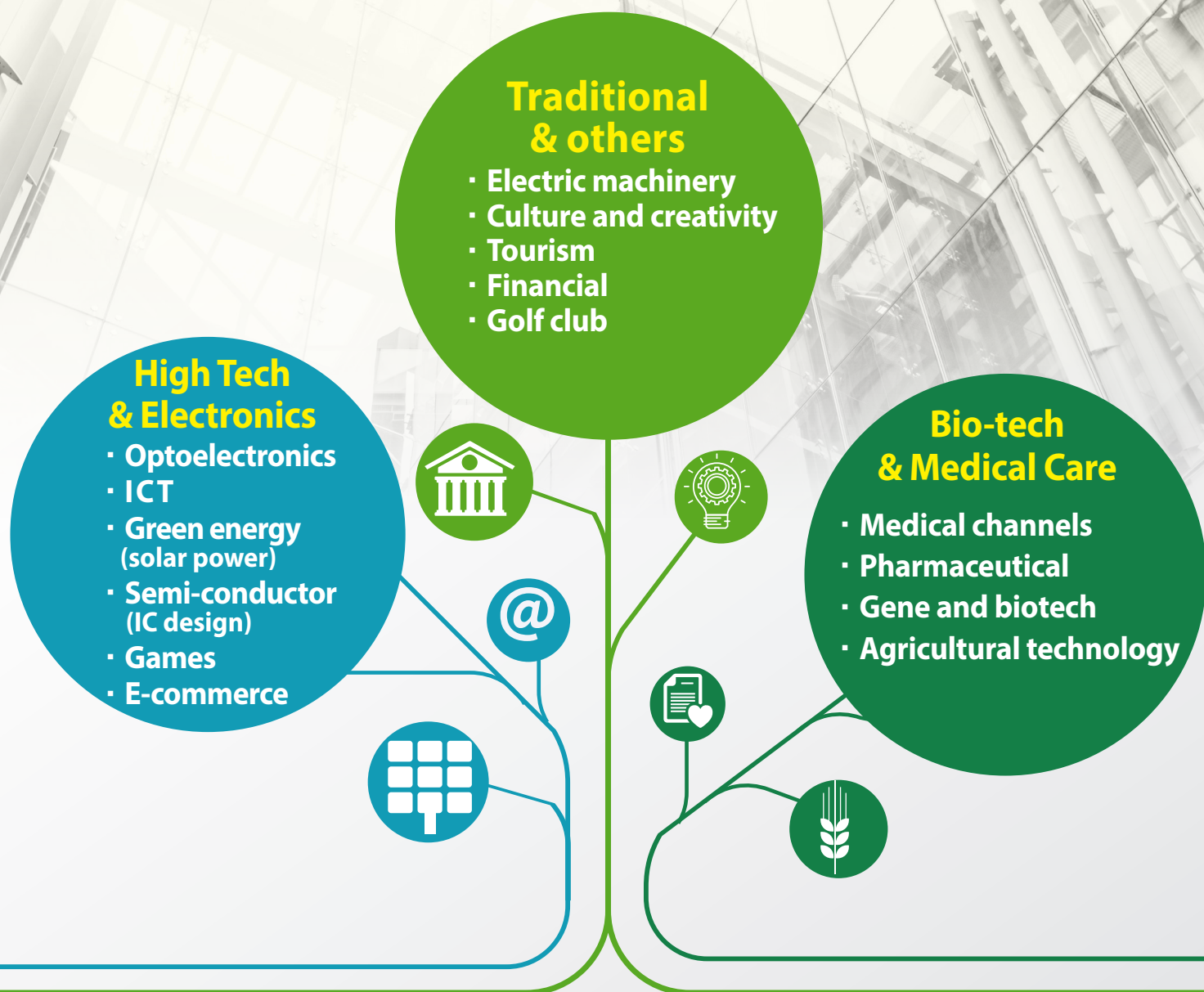
Characteristic Industrial Clusters

One of the major characteristics of the Main board and the emerging stock board at TPEx is the complete and diversified industrial clusters. It plays an important role in the industrial and economic developments in our country. The electronic and biotech industries, in particular, account for nearly 70% of all companies on the Main board and on the emerging stock board combined. They help attract more companies in the upstream and the downstream of the industries to enter the Taipei Exchange Market.

To go with the government's 5+2 Industrial Innovation Plan, TPEx proactively promoted prioritized industries in the nation, such as biotechnology and medical care, smart machinery, national defense aerospace, green energy, culture and creativity, Asian Silicon Valley, and agricultural enterprises, among others. Throughout 2019, seven such companies applied to be listed on the Main board and 19 on the emerging stock board, respectively.

In order to encourage venture businesses in e-commerce to enter the capital market, TPEx proactively took the suggestion from the industry and experts and added **"E-commerce"** as a new industry category since 2017. Up to 8 e-commerce enterprises remained listed on the Main board or Emerging Stock Board as of the end of 2019.





Diversified clusters and complete chains

Proactive Promotion of IPOs (Initial Public Offerings)

In order for more quality enterprises to understand the benefits of the capital market and advantages of getting listed on the Taipei Exchange Market, TPEx proactively held workshops and briefing sessions on how to get listed in the northern, central, and southern parts of Taiwan. Also, TPEx visited hidden champion companies in their respective industries with the intention to enter the capital market and let them familiar with listing process. TPEx also continued to reinforce the collaboration and communications between the central government and local governments in jointly promoting the listing applications for key focused industries. TPEx keeps reviewing the listing requirements, simplifying application process and providing related law consulting services to build a more friendly, convenient, and quick channel for fund-raising.



Organizing workshop/Briefing sessions for listing

Domestically:

1. Held a total of 6 briefing sessions on how to get listed.
2. Attended the “2019 Industrial Upgrade and Transformation Promotional Conference” held by the Industrial Development Bureau of the Ministry of Economic Affairs to promote the Taipei Exchange Market.
3. Attended the seminars organized by the Securities and Futures Institute and the Taiwan Securities Association that covered precautions and review highlights that enterprises should pay attention to while apply for listing.

Internationally:

Held a total of 6 briefing sessions in Mainland China, Thailand, Vietnam, and Malaysia, among others, for overseas enterprises wishing to get listed on TPEx.



Visit to enterprises to boost communications

Domestically:

Visited or received domestic quality enterprises for accumulated 61 times.

Internationally:

1. Visited enterprises located in Mainland China, Thailand, Vietnam, Singapore, and Malaysia for accumulated 35 times.
2. Received a delegation of business association from Malaysia representing a total of 10 enterprises and engaged in intensive exchange on related issues about entering the capital market in our country.



Assistance and communication provided to intermediaries

1. Held a total of 4 seminars for intermediaries on how to help domestic and international enterprises get listed.
2. Held the Award Presentation Ceremony and Business Workshop for Intermediaries Assisting in Getting Listed on the Main board, Emerging stock board, and GISA.

TPEx has been continuously and proactively exploring opportunities to become the first option for foreign enterprises to get listed. Over the past few years, to go with the government's New Southbound Policy, collaborations with overseas offices of the government, overseas Taiwanese businessmen associations, local chambers of commerce, underwriters, CPAs, overseas branches of financial institutions, and other external units have been reinforced. Meanwhile, exclusive service windows for foreign enterprises to get listed in TPEx have been set up. As of the end of 2019, 35 foreign enterprises had been listed on the Main board and 7 on the emerging stock board. A total of 8 foreign enterprises were newly listed on the Main board, newly registered on ESB, or filed for counseling with RSFs (recommending securities firms) in 2019.



Chairman of TPEx led the team visiting Malaysian enterprises to promote foreign listing

TPEX joined hands with underwriters, CPAs, and lawyers, among other intermediaries in enabling more enterprises to enter the capital market to raise funds and in helping them accomplish success, excellence, and sustainable management. Intermediaries have been an important partner of TPEX in promoting its business. In order to thank the assistance of intermediaries and to recognize them for their contributions to the capital market, TPEX holds the award presentation ceremony and business workshop for them. For three years, 2017, 2018, and 2019, Chairman Wellington Koo of the FSC and Director-General Rosemary Wang of the Securities and Futures Bureau have been invited to present awards and listen to advice from participants. It has helped substantially for the interactions and exchanges between the intermediaries and the competent authority.



Feedback from enterprises :

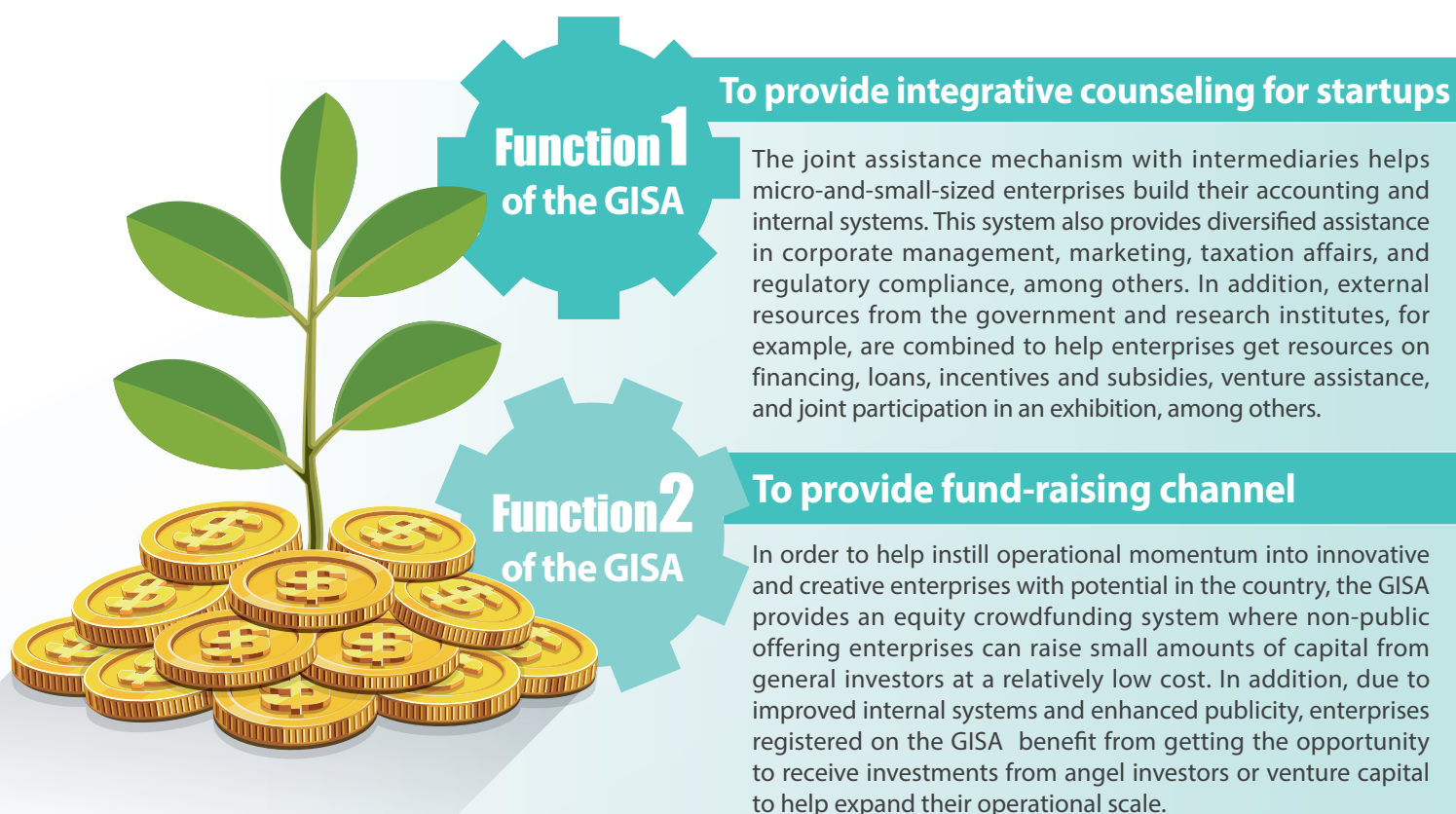
On March 5, 2019 in Thailand, TPEX held the Seminar on Thailand Enterprises to Enter the Capital Market in Taiwan.

Thai Kin Co., Ltd. (Ticker Symbol: 6629) was invited to share its experience in applying for listing on TPEX. General Manager Hsu Chen Jung of the Company indicated that applying for listing is the best solution to enhance corporate sustainable management and a successful hand-overs. It enables an enterprise to raise the needed funds but also make the corporate financial planning more efficient and flexible. There are multiple benefits in terms of business expansion, financial structure improving, publicity enhancing, and talent attracting.

Helping Innovative and Creative Enterprises¹

Innovative and creative enterprises are often facing bottlenecks including the smaller capital size, low product awareness, insufficient R&D resources, and inadequate internal control, among others during their early stage of operation. TPEX set up the GISA in 2014 to solve the above-mentioned bottlenecks. By integrating resources on the capital market, innovative and creative enterprises are provided with two major services which are consultancy for startups and channels for fund-raising.

¹ TPEX defines an innovative and creative enterprise as one whose technology, product, or operational model is innovative, creative, and full of potential in the future.



Services available from the GISA and accomplishments in 2019

Type of service	Description	Accomplishment in 2019
Taking part in domestic and international exhibitions	Companies on the GISA jointly with TPEX take part in major domestic and international exhibitions to not only promote business but also exposure the brand and products for business expansion.	Companies on the GISA were invited to take part in the COMPUTEX TAIPEI InnoVEX Exhibition, the BioTaiwan Exhibition, and Meet Taipei, among other well-known exhibitions together with TPEX. Each of the exhibition received a headcount of tens of thousands of people.
Organizing corporate training programs	TPEX plans free training programs on various topics such as marketing, finance, operational management, and government resources for companies on the GISA and refers professional experts to the companies if needed.	Throughout the year, a total of 13 corporate training programs were offered and some of the courses are recorded and posted on the TPEX website.
Boosting business and investments opportunities	TPEX holds matching events for the companies on the GISA, investment institutions and large enterprises to increase business and investments opportunities. On the one hand, these events help the GISA companies enhance their publicity, expand business, or receive funds and, on the other hand, provide investment institutions and large enterprises with extra investment opportunities.	<ul style="list-style-type: none"> Held investment match-making events for companies. A total of 10 enterprises displayed their products and gave presentations to raise funds, and 80 investors took part. Held business and investment match-making events jointly with Deloitte Taiwan. A total of 4 enterprises gave presentations and 75 representatives of investment institutions took part.



TPEX hold business and investment match-up activities for GISA companies

Starting in 2016, TPEX has been attentively arranging large matchmaking events each year to create opportunities for exchange and collaboration between innovative and creative enterprises on the GISA and domestic large enterprises and investors. These events help quality innovative and creative enterprises receive support from all respects in business operation and funds that help them accelerate and flourish in developments. For the 2019 GISA Investment Matchmaking Event, 10 enterprises on the GISA with potential were gathered to give fund-raising presentations. In order to boost interactions between presenting enterprises and investors, the product display zone and the information desk were arranged at a site where the companies could interact and talk face to face with investors.

To encourage enterprises to apply for registering on the GISA, TPEX visited a total of 88 domestic enterprises with potential throughout 2019 and introduced them to the assistance resources available for the GISA. Meanwhile, we continued to work closely with county and city governments, incubation centers in colleges and universities, and related associations in organizing promotional briefing sessions for the GISA. With joint efforts from external units, a total of 51 rounds of briefing sessions were held in 2019. A total of 37 companies were helped to get registered on the GISA. By the end of 2019, 90 companies had been registered on the GISA and 43 were getting assistance. Cumulatively, 162 enterprises had been successfully registered since the GISA was established.

Cumulatively, a total of **10 companies** on the GISA had turned to public companies, **7** of them had been registered on the emerging stock board, and **1 listed** on the Main board. The GISA helps innovative and creative enterprises speed up in getting listed on the capital market.



Feedback from enterprises :

FISHING SONG DEVELOP CO., LTD. (Ticker Symbol: 7537) has been registered on the GISA since January 23, 2018. The company is a leader in domestic media and advertising in bus. Chairman Su Yu-Lin shares that:

Since we received consultancy that is available for the GISA companies, the publicity of the company has significantly improved and the corporate governance and internal operating systems are even sounder, all these help shape the company into a pearl among the sand. We are particularly grateful for the subsidies from TPEX that enabled us to take part in the Exchange with Innovative and Creative Enterprises in Okinawa and join the exhibition where we got to approach dealers in Japan, which eventually made it possible for us to expand our business to the overseas market.

1-1-2 Promoting Diversified Growth on the Market

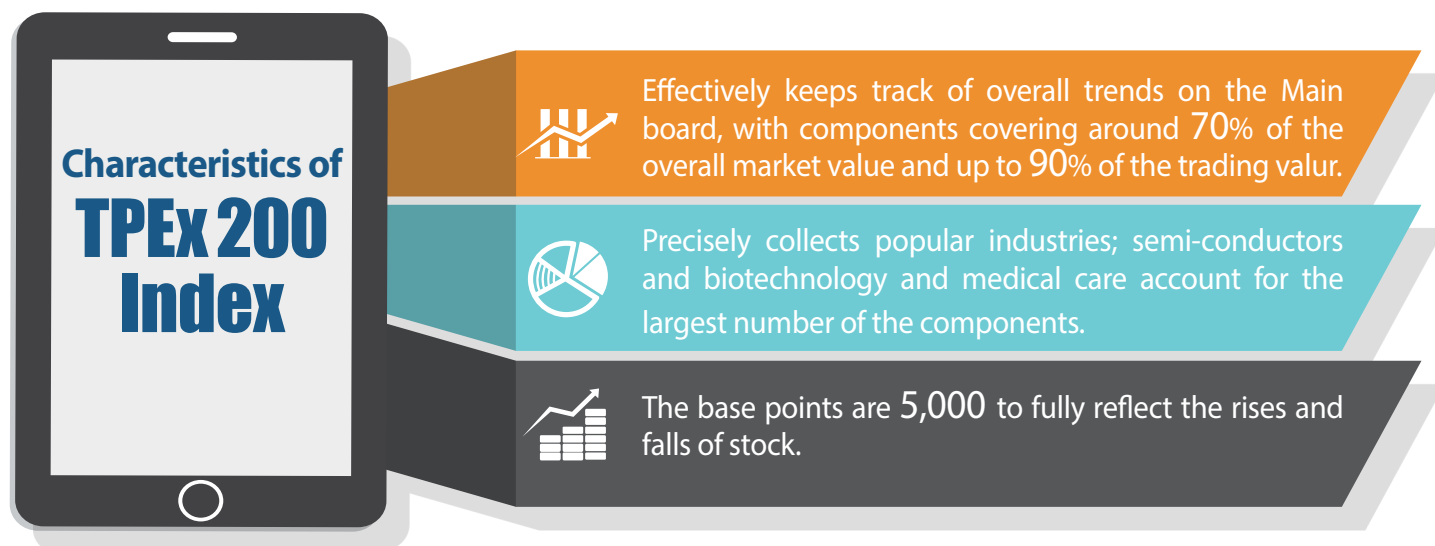
Despite interfering factors on the market because of the US-China trade war and others, the overall performance on the Taipei Exchange Market remained superior to other major markets throughout Asia. TPEX index closed at 149.36 points, with an annual increase of 20.9% and the average daily trading value throughout the year on the Main board was NTD 36.3 billion, with an annual growth rate of 1.2%. All showed that the Taipei Exchange Market was well recognized among the investors.

In order to keep the diversified growth momentum going on the Taipei Exchange Market, TPEX completed multiple important milestones in developing new products throughout 2019. At the same time, TPEX was devoted to optimizing the trading system and expanding investors involvement.

Developing Diversified Financial Instruments

TPEX 200 Index

The new TPEX 200 Index (Symbol: IX0118) was officially launched on March 27, 2019 and has become the optimal benchmark for tracking small-to-medium-sized stocks in Taiwan. The index adopts the liquidity-weighted approach and screens 200 stocks on the Main board with most liquidity and highest market value. The components liquidity is examined on a quarterly basis to ensure the validity of index. The new index fulfills liquidity and market value scale at the same time to facilitate institutions to further develop index-based products. As of the end of 2019, TPEX 200 Index-based products include two exchange traded notes (ETNs), 87 index warrants, one index future, and one knock-out option (leverage and deposit instrument). These provide investors who are interested in small-to-medium-sized stocks with a more effective and convenient investment channel. TPEX will continue to promote the development of index-based products in order to provide investors with more diversified and convenient investment tools on the stock market and to further vitalize overall transactions on the market.



The TPEX 200 Index official launch ceremony and the index authorization contract signing ceremony were held on March 27, 2019 where delegates from the competent authority and business representatives were invited to witness the historical milestone on the Taipei Exchange Market.

After TPEX 200 Index was introduced, TPEX and the Taiwan Futures Exchange jointly introduced TPEX 200 Index Futures on October 1 and held a grand ceremony to celebrate its inception. Hua Nan TPEX 200 Total Return Index ETN and Yuanta TPEX 200 Knock-out Options, the first of their kind to combine TPEX 200 Index, were introduced on the same day, too, highlighting the new outlook of index investment developments on the Taipei Exchange Market.

Picture above / The TPEX 200 Index launch ceremony on March 27, 2019

Picture below / TPEX 200 Index Futures listing ceremony



Bond ETFs

To satisfy market demand and to make it convenient for general investors to take part in the bond market, TPEX proposed to the competent authority the suspension of levying transaction taxes on bond ETFs. Since the transaction taxes were no longer levied, the issuance of new bond ETFs has been spiking. In 2018, the TPEX bond ETF market was already the largest in Asia. By the end of 2019, there had been a total of 94 bond ETFs listed, with the total asset under management (AUM) surging to NTD 1,278.3 billion, accounting for 75% of the overall domestic ETF market. Year of 2019 alone contributed to additional NTD 927 billion in the market scale of bond ETFs.

The daily trading value of bond ETFs in 2019 was NTD 3.526 billion, a growth of 175% from that in 2018, which was NTD 1.281 billion.

Right now, a variety of bond ETFs are available, including 20 short, mid, and long-term US government bond ETFs, 53 characteristic industry bond ETFs, 8 emerging market bond ETFs, 2 high income bond ETFs, and 11 Chinese government bond or policy financial bond ETFs.

Exchange Traded Notes (ETNs)

On September 10, 2018 TPEX announced its charter on the implementation of the ETN system. The first three ETNs were listed on the Main board on April 30, 2019. By the end of 2019, there had been 6 ETNs listed and traded on TPEX, with total issuance balance around NTD 1.474 billion. With the relaxation over the issuance of leverage ETNs and inverse ETNs on December 3, 2019, it is expected to introduce new types of ETNs and provide investors with more investment options.

Intensive Promotion of International Bonds

As of the end of 2019, the outstanding amount of the international bonds on TPEX had reached NTD 5.3 trillion. In 2019, to continue developing the international bond market for our country and to expand the market size, TPEX had established new rules for international bonds as following.

1. In line with the global supervisory trends about systematically important banks and the total loss-absorbing capacity (TLAC) system, TPEX placed the related rules of bonds with loss-absorbing capacity and established the issuance system for such kind.
2. In order to enhance the transparency and valuation of international bonds, TPEX have launched a fair price information disclosure mechanism for fixed-rate, non-callable USD-denominated International Bond to disclose the theoretical prices of such international bonds on the website.
3. In response to the government's New Southbound Policy, the Sukuk issuance policy was announced on June 14, 2019. Sukuk has been included in the scope of professional-board International bonds.

Under the efforts of TPEX over the years, the international bond market has managed to grow diversified to better meet the needs of professional investors for diversifying their investments and decentralizing risks. The main development features are (1) product diversification, (2) expansion of investor base, and (3) multiple sources of issuers.



The international bond market has grown diversified

Product diversification

- In 2019, the number of short-to-mid-term (less than 10 years) international bonds increased, with the issue size and quantity accounting for 43.19% and 62.5% (in 2018, they were 33.96% and 37.04%), respectively, had significantly switched from the historical trend of 30-year bonds being the mainstream.
- Sukuk was introduced.

expansion of investor base

Besides insurance sector, currently the major investor, TPEX extensively attracted banks and securities industry to participate more in international bond market.

Multiple sources of issuers

In 2019, issuers from Netherlands and the United Arab Emirates were attracted to the international bond market. In terms of industry sector, water resources, transportation, and semi-conductor manufacturing were new type of issuers. Multiple sources of issuers help to diversify the investment risks for the investors.

TPEX followed the government's New Southbound Policy and announced the amended Rules Governing Management of Foreign Currency Denominated International Bonds on June 14, 2019 under the supervision of the FSC. This had attracted QIB Sukuk Ltd. of Qatar Islamic Bank to issue the first Sukuk in Taiwan, with the issuance amount reaching USD 800 million. The bond was successfully dual-listed and traded on TPEX and Euronext Dublin on February 7, 2020, marking an important milestone for TPEX on the international bond market.

LITTLE DICTIONARY



Sukuk

A fixed income product issued in honor of Shariah (Islamic Law). The issuer of Sukuk is a special purpose vehicle (SPV) and its transaction is on the basis of corresponding assets. Sukuk investors share the income from the underlying assets, not the interest payments. Currently, there are only two types of Sukuk allowed in Taiwan, namely Ijarah and Wakalah.

Optimizing Trading System

Promotion of the continuous trading system for securities on the Main board:

In order to improve the trading efficiency, TPEx has been devoted to promoting continuous trading mechanism on the stock market under the supervision of the FSC. After more than 2 years of intensive preparations, it was launched on March 23, 2020 simultaneously with the TWSE stock market. With the new system, investors will see more efficient cross product arbitrage, hedging, and strategic transactions because of the same trading mechanism. Within this new mechanism, a more flexible order placement, investment strategies, and increased information transparency will contribute to maintaining a fair and transparent market.

Highlights of the new system

- Intra-day continuous trading is adopted for the automated trade matching system; orders are matched as soon as they are received.
- Five new types of orders are introduced (six types of orders in total: market price/limit price ROD, market price/limit price IOC, market price/limit price FOK) to suit the needs of different investors.



Feedback from colleagues :

The new trading system seems complicated to the investors; however, its principle is quite simple. Either the original call auction trading or the new continuous trading follows the price priority and time priority principle to match the orders. In the case of continuous trading, the matching frequency is enhanced and a new generation of system featuring better efficiency is adopted. The risks relating to trading do not increase thereby. Since continuous trading mechanism is adopted by worldwide stock markets, its fairness, safety, and efficiency have been recognized internationally. Introducing a new trading system is a big matter. We believe most investors had been ready for the new systems due to proactive promotion and communication over time, and we highly appreciate the cooperation of Taiwan Securities Association and all practitioners in securities firms.

Introducing the Intra-day Odd-lot Trading System

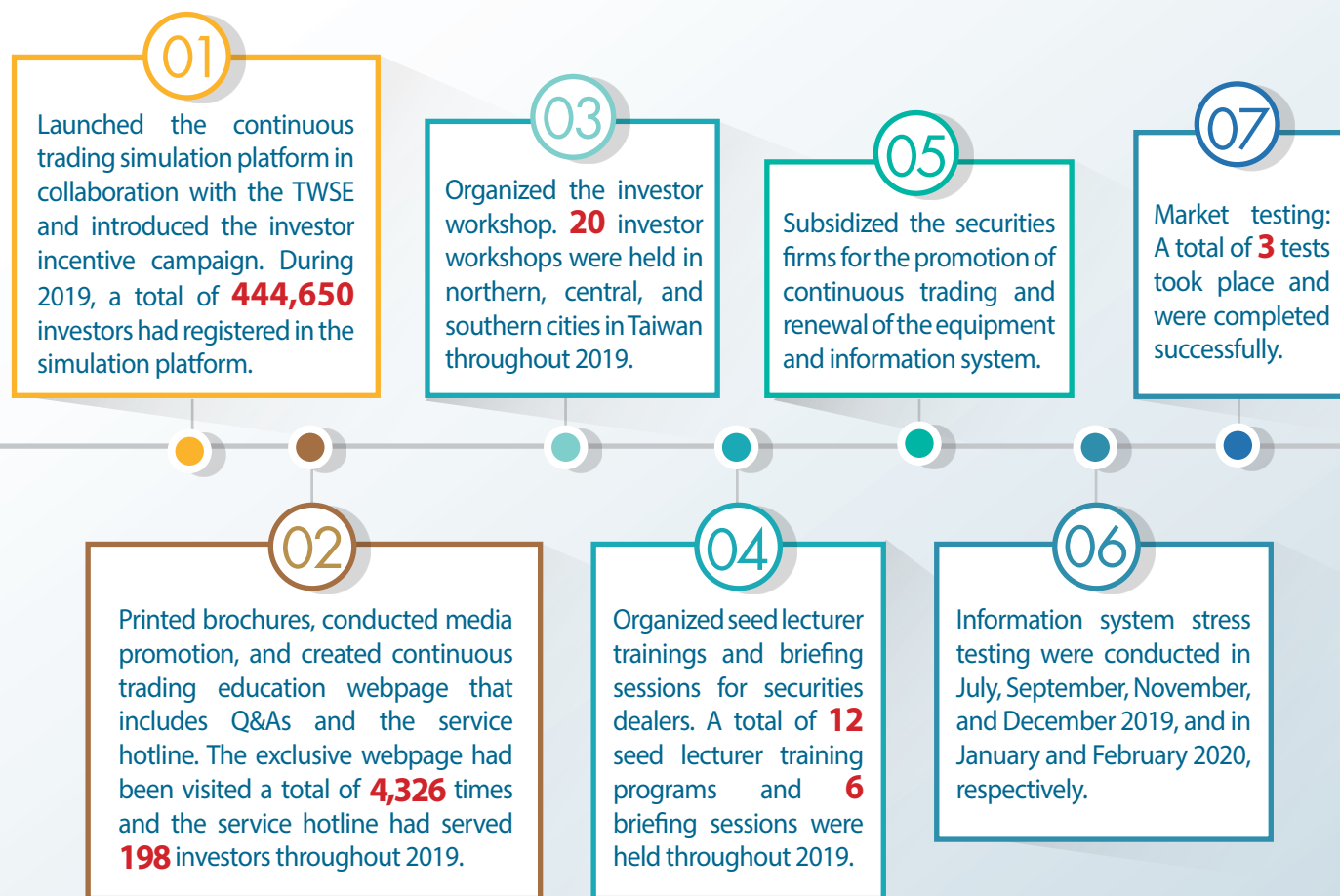
In order to further vitalize the securities market and to reduce the threshold for investors to trade high-price stocks, TPEx is planning to introduce the intra-day odd lot trading system. Once the system is introduced, it is easier for small investors to invest high-value stocks and to attract young people such as students and freshmen in society to build correct wealth management concept. Besides, new system can help slow down the aging investors issue in Taiwan and facilitate Systematic Investment Plan for securities firms. The intra-day odd-lot trading system is expected to go online on October 26, 2020.

Maximizing Investor Participation

Helping investors know TPEx 200 Index and the continuous trading system

In order to attract investors to know TPEx 200 Index and to take part in the trading of index products, throughout 2019, several promotional campaigns were held, like the Get to Know TPEx Index Award Winning Campaign, the Main board ETN Award Winning Campaign, the Search for TPEx 200 Index Super Predictor Reward Campaign, and TPEx 200 Index Product Reward Campaign. In addition, the Continuous Trading Virtual Platform Reward Campaign was held for investors to get fully familiar with and adapt to the continuous trading system. Investors were actively participated in these campaigns.

For the new continuous trading system, a series of promotional events took place in 2019:

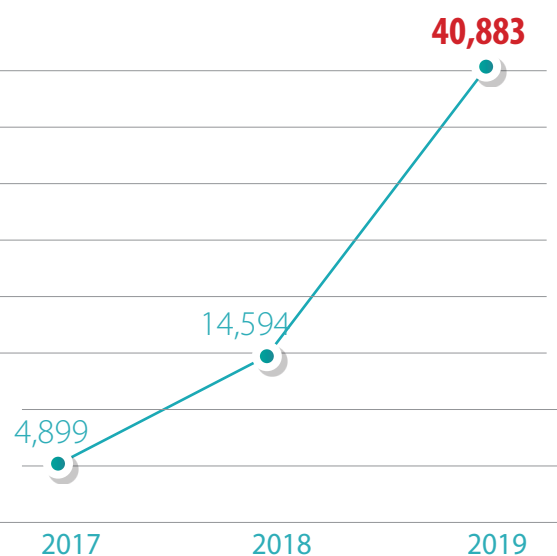


Promoting trading of bond ETFs

A total of 17 bond ETF promotional briefing sessions about the strengths and risks associated with investing in bond ETFs were organized throughout 2019 for several areas of participants, like financial and legal affairs staff at listed companies, underwriters, registrars, securities firms practitioners, and general investors. More than 2,300 people participated in the events.

Besides promoting bond ETFs, TPEX encourages investment companies to hold bond ETFs investor workshops. A total of 6 investment companies applied subsidies for organizing related events from TPEX throughout 2019. Each workshop got subsidies at NT20,000 and a total of NT 380,000 were offered. Total 19 workshops attracted 2,000 people and increased the number of investors in bond ETFs.

The Number of Investors in Bond ETFs



Attracting foreign investors:

In order to attract international investors and to urge their participation, TPEX holds overseas roadshows, provides bilingual information on its website, and enhances international media coverage.



Conference for international investors

In May 2019, the 2019 CEO-CFO Taiwan Enterprise Day investor conferences were held jointly with MasterLink Securities Corporation and Okasan Securities Co., Ltd. Senior managements from 5 companies on the Main board visited Tokyo, Japan, to take part in 60 one on one investor conferences. In August, investor conferences in Singapore were held jointly with KGI Securities Co., Ltd. 7 companies on the Main board went to Singapore and 26 large well-known investment institutions participated the event. This time nearly 40 one on one investor meetings were held. As of the end of 2019, the holding ratio of foreign investors for Main board stock reached 22.21% and net purchased NTD 38.3 billion in 2019. The annual trading value reaching NTD 2,149.5 billion, a historical high, which shows positive outcomes for attracting foreign investors.



TPEX held 2019 CEO-CFO Taiwan Corporate Day in Tokyo

Bilingual information on TPEX website

To go with the national policy “Blueprint for developing Taiwan into a Bilingual Nation by 2030” and the FSC’s bilingualizing the official websites for securities and futures units, TPEX constructed a friendly bilingual service environment by comprehensively optimizing the design and contents of its official website. Tuned website into 100% bilingual step by steps and published bilingual brochures for domestic and foreign enterprises and investors. Meanwhile, TPEX releases monthly Chinese/English e-newsletter and sends on every 15th to the subscribers. It was already in its 174th issue by the end of 2019.

International media exposure

TPEX has been proactively seeking exposure on international media. In 2019, an exclusive interview by Scientific American with Chairman was made and the topic is about relaxing regulation in biotechnology and medical care industry and its accomplishments. The interview was included in the special edition of the magazine in November, 2019 “Taiwan Healthcare and Life Sciences Review”, placing the Taipei Exchange again in the international limelight.



Gaming the Capital Markets

Even when it comes to the impact of capital markets, Taiwan’s planners and policy makers have been pulling every string possible to facilitate the growth of indigenous biotech. “The Biotech and New Pharmaceutical Development Act helps support the industry by allowing new drug companies certified by the government to list for IPO on the Taiwan Stock Exchange and Taipei Exchange (TPEX) before having any products on the market. This helps companies to fundraise for their R&D while also benefiting from special tax advantages,” notes the TRPMA’s Carol Cheng.

Indeed, as of today, there are over 120 biotechnology companies listed on Taiwan’s stock exchange with a total market value reaching USD 23.4 billion in 2018. Being publicly listed, companies must report on their activities including fundraising, clinical trial results, and R&D progress

“This has had the beneficial effect of rendering Taiwanese biotechnology a very transparent and reliable industry, thus in turn helping investors to feel secure in entering the sector and creating a virtuous circle,” she believes.

Many other industry insiders agree with that sentiment. “Taiwan’s regulation amendment to allow pre-revenue biotechs to IPO has undoubtedly been a significant step in bolstering their biotech landscape,” reasons TPEX chairman, Philip Chen. “For biotech companies, the costs involved in an IPO on TPEX are more realistic than those on other major international markets. Besides, TPEX listing requirements for biotech enterprises are more relaxed compared to those of Hong Kong Stock Exchange and Shanghai Stock Exchange. Some of the listing criteria that are applicable in our neighbor markets like minimum market capitalization, approval documents for phase II clinical trials of at least one product, and the cornerstone investors



Philip Chen
chairman, Taipei
Exchange (TPEX)



1-2 ROBUST DEVELOPMENT

1-2-1 Maintaining the capital market mechanism

With an innovative mindset, TPEX provides services and products to satisfy the needs of investors and enterprises, while at the same time firmly protects the rights of investors and shareholders by creating an open, transparent, and sound market. It is committed to maintain a secure trading environment and a robust market as well. For the sake of ensuring fairness and order in trading, TPEX cooperates with FSC in enforcing supervisory rules and regulations in the securities market and continues to reinforce the regulatory systems of the market supervision and surveillance.

Supervision on Listed Companies and ESB Companies

TPEX oversees the market with hierarchical management approach. It has set up numerous management mechanisms to ensure the financial stability of TPEX-listed companies, to strengthen the companies' internal control, and to enhance their information transparency and disclosure.

For example, TPEX routinely reviews the internal control system and financial statements of selected Main board listed companies and ESB registered companies in order to evaluate their compliance and financial reporting quality. It also conducts standard procedures to review the material information disclosed by the companies in order to find out whether there are any misleading statements or significant issues. Besides, TPEX quarterly carries out inspection on the performance concerning the commitments made by the listed companies as a part of Main board listing agreement.

Meanwhile, TPEX proactively promotes corporate governance by reinforcing functions of the Board of Directors and the Audit Committee, enhancing transparency of information, and improves exit mechanism for listed companies in an effort to protect the rights of investors and shareholders. To minimize information asymmetry, the daily duty of TPEX includes checking news covered by multiple medias related to the listed companies and ESB companies. When the clarification about the news is needed, TPEX immediately requires the companies to release information on the MOPS on the same day. Moreover, TPEX cooperates with external organizations and government authorities in data and information exchange. For example, it obtains notices from Taiwan Clearing House of the filings of dishonored checks occurred to the listed companies.

New supervisory measures in 2019

New measure	Description
Reinforce supervision and information disclosures of subsidiaries of TPEX-listed companies applying for overseas listing	To protect shareholder's equity, TPEX has amended six rules including "Taipei Exchange Rules Governing Securities Trading on the TPEX".
Revise exit measures for TPEX-listed companies with poor financial performance or material uncertainty—applicable to financial reports for 2019 and afterward.	"Rules Governing Securities Trading on the TPEX" were revised to urge TPEX-listed companies with poor financial performance (net value lower than 3/10 of the share capital for a long time) or material uncertainty in operation to proactively improve their financial structure over a period of 3 years. If they fail to make progress by the deadline, their shares trading will be suspended for no more than 6 months or terminated after 6-month suspension.

Management mechanism of Securities Firms

Securities firms are intermediaries of securities markets playing crucial role in maintaining market operation and protecting investors. In order to ensure the effectiveness of management mechanism of securities firms and personnel, routine audit and examination of the securities firms regarding their operational and financial performance are carried out in accordance with TPEX's operational rules. In addition to routine audit, TPEX also conducts targeted examination project when extraordinary items or situations are discovered.

For ensuring the financial stability and risk-undertaking capability of the securities firms, TPEX has published regulations about capital adequacy requirements, risk warning procedures, and risk management evaluation systems, which help to create a fairly competitive environment based on risk management.

In 2019, TPEX and the Taiwan Stock Exchange jointly held a total of 13 briefing sessions on the revisions made to the "Criteria Governing Internal Control Systems of Securities Firms", with around 1,600 participants, to help securities firms build a complete and effective internal control system and internal auditing procedures.

Throughout 2019, TPEX carried out audit and examination on securities firms as follows:

audit and examination topic	Number
Anti-money laundering / counter terrorist financing (AML/CFT)	6
Stock trading activities	65
Bond trading activities	25
Leverage transaction merchants and derivatives trading	31
Book building and competitive auction of IPO shares	24
Comprehensive evaluation of overall risk management	8
Prevention against large-scale defaults	220
Brokers pre-collect for trading of disposition stocks	10
Total	389

Market Surveillance

TPEX has set up market surveillance systems and related regulations to monitor transactions in the stock market in order to ensure the market integrity. The surveillance systems primarily consist of early warnings and examining illegal trading activities.

The early warnings mainly focus on stocks with abnormal prices and trading volumes. In certain cases, disposition measures are taken to bring investors' attention toward the investment risks. TPEX announces the list and details of warning stocks and disposition stocks to better inform the investors. During 2019, 1,491 announcements of attention (of 340 stocks) on Main board securities and 105 events triggered disposition (of 69 stocks) were made. For the ESB stocks, 21 announcements of attention (of 14 stocks) were made.

Examining illegal trading, on the other hand, focuses on irregular trading activities such as stock price manipulation or insider trading. The results of examination should be reported to the competent authority for further investigation and a prosecutor will involve in it to conduct judicial procedures. Such systems can enhance investor protection and market fairness.

TPEX closely collaborate with the competent authorities and judicial authorities to prevent illegal trading. By sharing practical experiences and exchanging professional opinions, TPEX's capability in surveillance and illegal activities examination has been improving. In addition, TPEX constantly communicate with issuers and securities firms to make them more acknowledged of the regulatory obligations of the insiders under the laws.

In 2019, TPEX had held 6 workshops focusing on illegal transactions prevention and 5 on insider trading regulations and around 1,400 people had participated in, including directors and supervisors of issuer companies and persons in charge from the securities firms.

Investors Protection

Besides maintaining an effectively functioning mechanism on the capital market, enhancing financial literacy and investor education is also key to the sustainable development of a financial market. Sufficient knowledge of the opportunities and risks associated with different financial instruments and the latest comprehensive market information are crucial for investors to make decisions. Therefore, TPEX highly emphasizes investor education and communication to protect investors from engaging in unfamiliar or uninformed transactions which would cause losses. TPEX continuously holds investor workshops throughout the nation, prepares comprehensive handbooks or flyers that are placed at the operational sites of securities firms and constantly advances investor's access to the market information.

To provide direct services to the investors, TPEX is open to inquiries and complaints made by market participants, investors, and the public with the following channels:



- Hotline (02-2366-6100)
- Fax (02-2369-1302)
- Email (click on "Contact Us" on the official website)

TPEX stays impartial while dealing with investors complaints with an effort to respond to them as soon as possible. In the year of 2019, all the emails from investors were properly responded by related departments.



Workshops for investors on continuous trading mechanism

Investor education and communication in the year of 2019

Type of event	Achievement	Benefits for the investors
TPEX Corporate Day	A total of 27 investors conferences were held on the topics of featured industries on the Main board such as TPEX 200 Index, TPEX 50 Index, biotech and medical care sector, outstanding corporate governance. The selected TPEX-listed companies were invited to present to the investors for 81 sessions. In addition, one conference was held on the topics of the ESB companies.	To build up a direct communication and interaction platform between investors and companies, boosting information transparency.
IFRSs Training Conference	A total of 8 conferences on the adoption of International Financial Reporting Standards in Taiwan were jointly held with the Taiwan Stock Exchange, Taiwan Futures Exchange, and Taiwan Depository & Clearing Corporation.	To improve issuers' capability in financial reporting in line with IFRSs, increase reliability and quality of financial statements, and remind investors of important items regarding financial reports.
Investment workshop	Up to 20 investor workshops were jointly held with multiple securities firms.	To become more familiar with new continuous trading mechanism, TPEX 200 Index, and investment strategies and the latest trends of new financial instruments such as ETFs and ETNs.
Briefing sessions for securities firms.	A total of 6 briefing sessions about the new trading system and related regulations on the TPEX Market were held.	To boost communication with the intermediaries, say the securities firms, about the latest regulations in the trading market, in that way reducing disputes between investors and brokers and ultimately fulfill the purpose of investors protection.

1-2-2 Ensuring Stable Operation on the Market

Stable System and Continuous Operation

TPEX must ensure the safety and security of overall trading system and prevent all possible conditions that may endanger operations at TPEX market. Therefore, various types of measures and management mechanisms are defined to keep transactions and operations going and uninterrupted. For related measures, refer to 2-1-2 "Risk Management - Business Continuity Planning".

Anti-Money Laundering and Counter-Terrorist Financing (AML and CTF)

Effective anti-money laundering and counter terrorism financing procedures can help a financial institution identify the overall risks facing it. By establishing and implementing related internal control procedures, a financial institution can adopt suitable AML and CTF measures that are aligned with its risk level in order to effectively detect suspicious transactions and protect the investors.



Taiwan was approved the best rating in anti-money laundering and counter terrorism financing performance at the 22nd APG annual conference .

TPEX proactively cooperates with Executive Yuan's Anti-Money Laundering Office (AMLO) in promoting policies, including attending the Private Sector AML/CTF Mock up Mutual Evaluation Conference, sharing related information, enforcing AML and CTF procedures in the securities firms. With all the efforts, Taiwan successfully completed the Round 3 on-site mutual evaluation of the Asia/Pacific Group on Money Laundering (APG) and be approved in the 22nd APG annual conference in August 2019. Taiwan was upgraded from "enhanced follow-up" to the top "regular follow-up" category, which is the best rating for the evaluation. For this Round 3 evaluation, TPEX invested in enormous manpower and resources and provided assistance to the competent authority in the aspect of securities industry. As the evaluation result, no major defects items of the securities industry were identified. Refer to the Special Section in this chapter for details.

In 2015, TPEX, jointly with the Taiwan Stock Exchange, Taiwan Depository & Clearing Corporation, Taiwan Securities Association, Chinese National Futures Association, and Securities Investment Trust & Consulting Association of the ROC, set up the website for AML and CTF for the securities and futures industry as the platform for promoting AML / CFT in the industry.



Anti-Money Laundering
and Countering Terrorism
Financing Zone

1-3 | PARTNERSHIP

1-3-1 Reinforcing Involvement in External Organizations

TPEX has joined 17 domestic organizations and associations as a member to collaboratively boost the development of the capital market. TPEX not only attends the routine meetings, involves in important conferences, but also proactively supports the events or seminars organized by the associations. For example, in 2019, it co-organized and participated in two charity carnivals in Tainan and Hsinchu held with the Taiwan Financial Services Roundtable Co., Ltd., FinTech Taipei 2019, and Bio Asia 2019 organized with the Taiwan Bio Industry Organization.

Domestic associations

Name	Role
Taiwan Financial Services Roundtable Co.,Ltd.	member/ a seat in Board of Directors
Securities Analysts Association, Chinese Taipei	member/ a seat in Board of Directors
Accounting Research and Development Foundation	member/ a seat in Board of Directors
Taiwan Corporate Governance Association	member
The Institute of Internal Auditors, R.O.C.	member
BCSD Taiwan	member
Taiwan Intangible Asset and Corporate Review Association	member
Chinese International Economic Cooperation Association, Taiwan	member
Chinese National Association of Industry and Commerce	member
Corporate Operation Association of the ROC	member
Taiwan Stock Affairs Association	member
Taiwan M&A and Private Equity Council	member
Banking Education Association of Taiwan	member
Taiwan Bio Industry Organization	member
Financial Planning Association of Taiwan	member
Taiwan Finance Association	member
Financial Engineering Association of Taiwan	member

1-3-2 Expanding International Involvement

Participate in meetings and seminars with foreign securities institutions to build international positions and a professional image

TPEX has joined important international securities market organizations and continued to take part in their annual meetings and working committees meetings. By this way, it can maintain the friendship with other members, facilitate cross-market cooperation, and keep track on the current trend of regulatory framework in the international market. Participating in such the meeting and activities is important for promoting the TPEX market. During 2019, TPEX has attended 15 international organization's events, including GA, annual meetings, working committees meetings, seminars, and training programs.

International organizations		
	Name of organization	Role
	The World Federation of Exchange (WFE)	member
	Asian and Oceanian Stock Exchanges Federation (AOSEF)	member
	The International Organization of Securities Commissions (IOSCO)	Affiliate member (the competent authority, Taiwan FSC, is a member)
	The Global Association of Central Counterparties (CCP12)	member
	Climate Bonds Initiative (CBI)	member

Interact with the MOU Exchanges constantly to Deepen Collaborations

TPEX has signed up Memorandum of Understanding (MoUs) with 24 stock exchanges respectively. The Qatar Stock Exchange is the latest one. Based on the MoU, TPEX visited the Qatar Stock Exchange and several large financial institutions in Qatar in 2019 to facilitate the mutual understanding, interaction and further cooperation. In addition, TPEX once again attended the IR Festa organized by the Tokyo Stock Exchange to promote premium investment opportunities on the Taiwan market to investors in Japan. It has been also invited by the Japan Exchange Group to the Alumni Global Networking meeting in Japan along with the Thailand Exchange, the Korea Exchange, the Bangladesh Exchange, the Mongolia Exchange, the Indonesia Exchange, the Taiwan Stock Exchange, the Taiwan Futures Exchange, and some large funds and Japanese enterprises. Such reunion meeting has helped facilitate networking in the Asian region.

TPEX attended Tokyo Stock Exchange IR Festa for two consecutive years, in 2018 and 2019, and noticed the interest in TPEX market of the investors in Japan. Therefore, TPEX has proactively discussed with the securities firms on the feasibility of sub-brokerage. Eventually, the retail investors in both markets are able to trade stocks on the other through sub-brokerage.



1-3-3 Promoting TPEX's Services

TPEX welcomes various visiting groups in domestic or overseas. By receiving the visiting groups, it helps the visitors interested in TPEX market become more familiar with the multi-tiered market structure, trading mechanism and diversified products on the market.

Following the visit of EBRD and Croatia capital market in 2017, which successfully built the linkage with the Southeast European securities market, TPEX received the visit group from the Republic of Uzbekistan in 2019. It was a great opportunity for TPEX sharing its experience in supporting innovative SMEs and developing diversified financial products with the emerging market in Central Asian.

In addition, TPEX received delegations from foreign financial and securities institutions such as Italian Economic, Trade, and Cultural Promotion Office, the Financial Supervisory Commission of Vietnam, the Indonesia Stock Exchange, Saigon Asset Management Company of Vietnam, and Japan Business Administration Consulting Company. The visiting groups demonstrated a high level of interest in the GISA, the development of bond market, and foreign listing rules, among others. TPEX also received two groups of students from the Academy for the Judiciary as a preliminary training courses for the judges-to-be.



Uzbekistan and EBRD Delegation visited the Taipei Exchange



Japanese company Pronexus Inc. visited the Taipei Exchange



The State Securities Commission of Vietnam visited the Taipei Exchange

1-3-4 International Recognition

TPEX has developed the SMEs market for decades, which has brought the world's attention and international awards.

In 2019, TPEX was recognized by the U.S. Securities and Exchange Commission (SEC) as a Designated Offshore Securities Market (DOSM). This enables investment institutions in the U.S. to include the securities on the TPEX Main board into their portfolios and trade more easily. Being recognized as a DOSM is a milestone for TPEX's development in internationalization and will further enhance the professional image of TPEX. It demonstrates that the market supervisory mechanism and trading system of TPEX have been performed with high standards and the operational efficacy of the market is qualified as an advanced market.

LITTLE DICTIONARY



Designated Offshore Securities Market (DOSM)

The US Securities Exchange Act, with a purpose to protect domestic investors, requires that American investors should register with the US SEC of the securities transactions, unless the transactions are exempted by the safe harbor regulation, i.e. Regulation S. Regulation S stipulates the registering with the US SEC be waived if the securities traded are DOSM-listed. Meanwhile, companies listed on a DOSM do not need to register with the US SEC when offering private shares in the US. The US SEC has the power to designate any foreign exchange as a DOSM. In order to make the decision, it reviews legal documentation of DOSM applications thoroughly and rigidly.