

Frequently Asked Questions Regarding the Operation by Securities Firms of the Business of Proprietary Trading of Security Tokens

Trading

Q1: How does the trading of security tokens take place?

Explanation:

The trading of security tokens shall be conducted through proprietary trading with customers by a securities firm serving as a platform operator, by means of price negotiation. The securities firm (i.e. the platform operator) is the counterparty to each transaction. To provide market compliance and formation of pricing, the securities firm shall provide reasonable nominal quotes based on its professional judgment and market conditions. The securities firm shall also provide two-way, buy-and-sell quotes.

Q2: How does an investor negotiate with securities firms to buy and sell security tokens?

Explanation:

An Investor shall, in accordance with the rules for the negotiated trading of security tokens established by the securities firm, complete registration on the trading platform and sign an account-opening agreement and a risk disclosure statement before engaging in negotiated trading on the platform. Upon the completion of the transaction, the collection and delivery of the funds and security tokens with the customers will be completed by the real-time gross settlement method in accordance with the aforementioned rules.

A securities firm engaging in negotiated trading of security tokens with its customers on its trading platform shall use New Taiwan dollars as the currency for making price quotes and performing settlement on the platform. A dedicated account should be opened at a financial institution for the collection and payment of funds. Furthermore, the securities firm engaging in negotiated trading of security tokens with customers shall, in principal, collect the full amount of the purchase price or the security tokens to be sold in advance from the customer, provided that the securities firm may refrain from collecting the purchase price or security tokens in advance after the securities firm has evaluated the credit status of the customer.

After the trading is completed, the investor may query the balance of security tokens on the trading platform on which the security tokens were traded and in the information

system designated by the centralized securities depository enterprise (<https://sto.tdcc.com.tw/sto-web/>).

Q3: What are the rules surrounding the price stabilization mechanism of security tokens?

Explanation:

To protect investors and avoid trading risks arising from unusual price fluctuations, the price stabilization mechanism of security tokens is set out as follows:

- I. If, during the trading hours for a given business day, the weighted average trading price of a security token rises or falls to 25 percent or more above or below the weighted average trading price of the preceding business day, the securities firm shall halt trading of the security token for 15 minutes. However, if the above circumstance occurs within 15 minutes before the close of trading hours, it shall halt trading of the security token until the close of trading hours for the given day. On a single business day, the halting of trading due to the aforementioned limit shall be done no more than once each for the rise or the fall.
- II. If, during the trading hours for a given business day, the weighted average trading price of a security token rises or falls to 50 percent or more above or below the weighted average trading price of the preceding business day, the securities firm shall halt trading of the security token until the close of trading hours for the given day and resume trading from the next business day. The securities firm shall also immediately notify the issuer of that security token to confirm whether any material information exists. Furthermore, the issuer, before the start of trading hours on the following business day, shall input an information disclosure to the information disclosure section designated by the securities firm whether any material information exists or not.
- III. The stabilization mechanism does not apply to the first 5 business days when a security token begins to be traded over the counter and on any day when the weighted average trading price of the security token of the preceding business day was below NT\$1.