

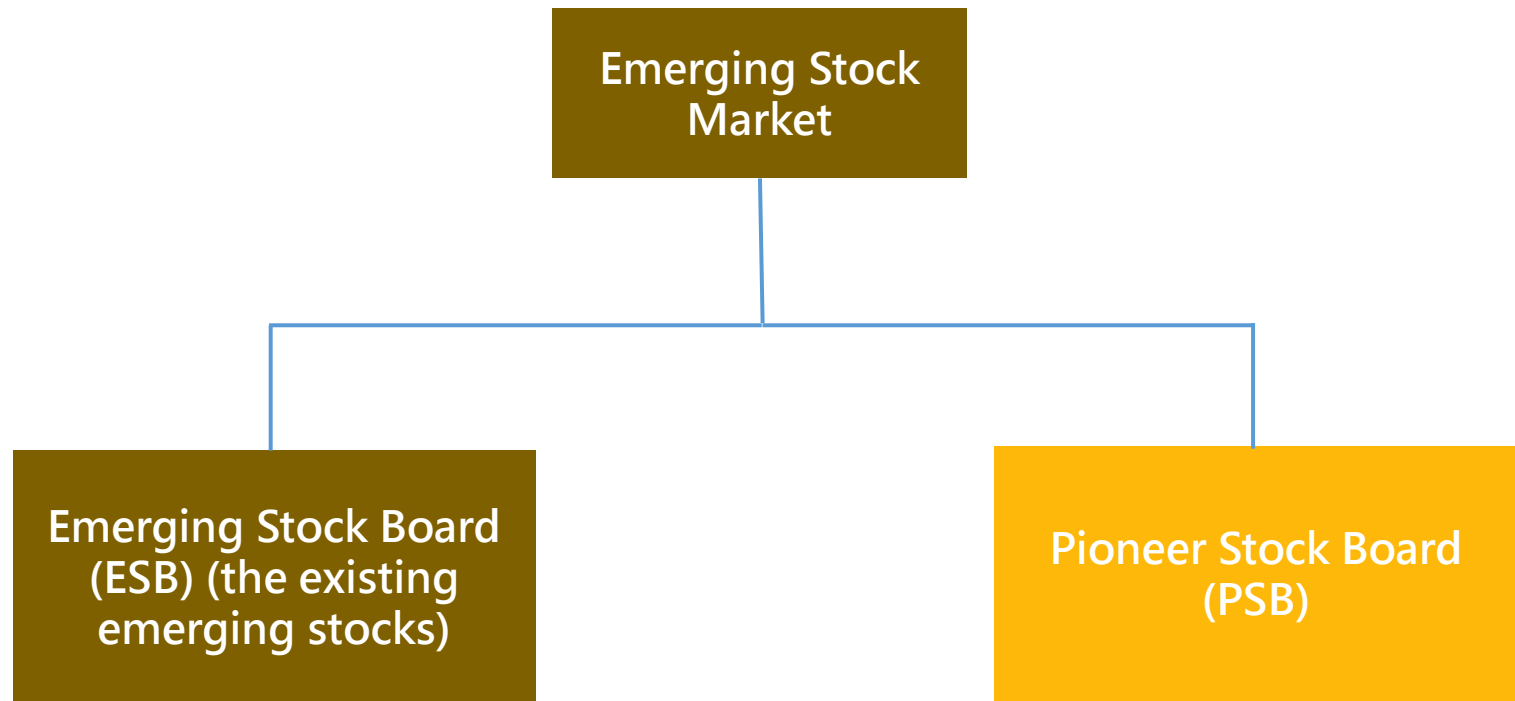
Overview of PSB Trading Mechanism

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證券櫃檯買賣中心
Taipei Exchange

The market structure of the Emerging Stock Market



The PSB trading mechanism(1/2)

Item \ Type	TPEX Main board	Pioneer Stock Board (PSB)	Emerging Stock Board (ESB)
I.Trading mechanism	Automatic matching and execution	Automatic matching and execution incorporated with liquidity providers acted by recommending securities firms	Negotiated trading based on prices quoted by recommending securities firms
(I)Order placing hours	8:30~13:30		9:00~15:00
(II)Trading hours	9:00~13:30		9:00~15:00
(III)Minimum trading unit	1,000 shares		1 share
(IV)Order type	There are six order types by incorporating the 2 types of orders, limit orders and market orders, and the 3 types of the times in force, ROD 、 IOC 、 FOK.		Limit price order valid for the day only
(V)Trading method	<ul style="list-style-type: none"> • Call auction in opening/closing sessions • Continuous trading during intraday trading hours 		Recommending securities firms provide quotes and trade with investors by negotiation. In that way, a recommending securities firm is either the seller or buyer in any transaction.
(VI)Daily price fluctuation limit	10%; while no limit for newly listed companies on their first five days of listing	20%; while no limit for newly registered companies on their first five days of registering	None
(VII)Threshold for postponed sessions (pre-opening/pre-closing) and intraday volatility interruption	3.50%	7%	None

The PSB trading mechanism(2/2)

Item \ Type	TPEX Main board	Pioneer Stock Board (PSB)	Emerging Stock Board (ESB)
II.Recommending securities firms	None	Yes, to act as a liquidity provider to provide quotes	Yes, to be responsible for quoting prices and be obliged to buy and sell shares
III.Investors signing Risk Disclosure Statement	Not required (except for purchasing foreign stocks)	Required(A qualified natural person is required to sign a Risk Disclosure Statement before buying the PSB stocks for the first time.)	Required(except for professional institutional investors)
IV.Restriction on investors	None	Buyers must be qualified investors or the PSB companies buying back their own shares in accordance with laws.	None
V.Overseas Chinese and foreign investors (OC/FI)	Allowed	Allowed (excluding Mainland area investors)	Allowed (excluding Mainland area investors)
VI.Day trading, margin trading, and securities borrowing and lending (SBL)	Allowed	Not allowed (only securities borrowing for settlement is permitted)	Not allowed
VII.OTA trading	Allowed	Not allowed	Allowed
VIII.Other trading methods	After-hour/Intraday odd lot trading, after-hour fixed-price trading, block trading, reverse auction and over-the-counter negotiation	After-hour odd lot trading and over-the-counter negotiation	None
IX.Clearing/Settlement	TPEX Main board stocks and the PSB stocks are processed together		Processed by TDCC

Criterion for qualified investors(1/2)

■ Guidelines for the PSB investors:

- Criterion for **qualified investors**

- 1) Juristic person:

- Professional institutional and juristic persons with 2 or more years of experience in securities investment.
- Legally incorporated venture capital enterprises.

- 2) Natural persons with 2 or more years of experience in securities investment and meeting one of the following criteria:

- proof of financial capacity of NT\$5 million or more, or
- average annual income of NT\$1.5 million or more over the last 2 fiscal years.



Criterion for qualified investors(2/2)

- Buyers must be "qualified investors" or the PSB companies buying back their own shares in accordance with laws.
- Natural persons who meet the criteria for qualified investors are required to sign a Risk Disclosure Statement before buying the PSB stocks for the first time.
- Securities brokers shall obtain reasonable and reliable supporting evidence from the principals, and review regularly to check if the clients remain as a qualified investor.



PSB liquidity provider

■ The price quoting rules for liquidity providers are as follows:

1. Every quote shall comprise bid and ask prices (the order types cannot be IOC or FOK, according to the duration).
2. The minimum quantity per quote is 1,000 shares.
3. The spread between bid and ask quote shall not exceed 5%.
4. In the event that a previous quote is canceled or executed, a liquidity provider should provide liquidity trading quotes within 10 minutes.

■ A liquidity provider is not required to provide quotes under the following circumstances:

1. When the quantity of the PSB stocks in the liquidity provider's segregated account is under 1,000 shares, providing merely bid quotes is permitted.
2. When 30,000 or more shares have been bought or sold on the day.
3. When the market discloses bid prices at limit-up, ask prices at limit-down, or trading at market price.
4. When the PSB stock is a stock placed under disposition measures.





Thank you!



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