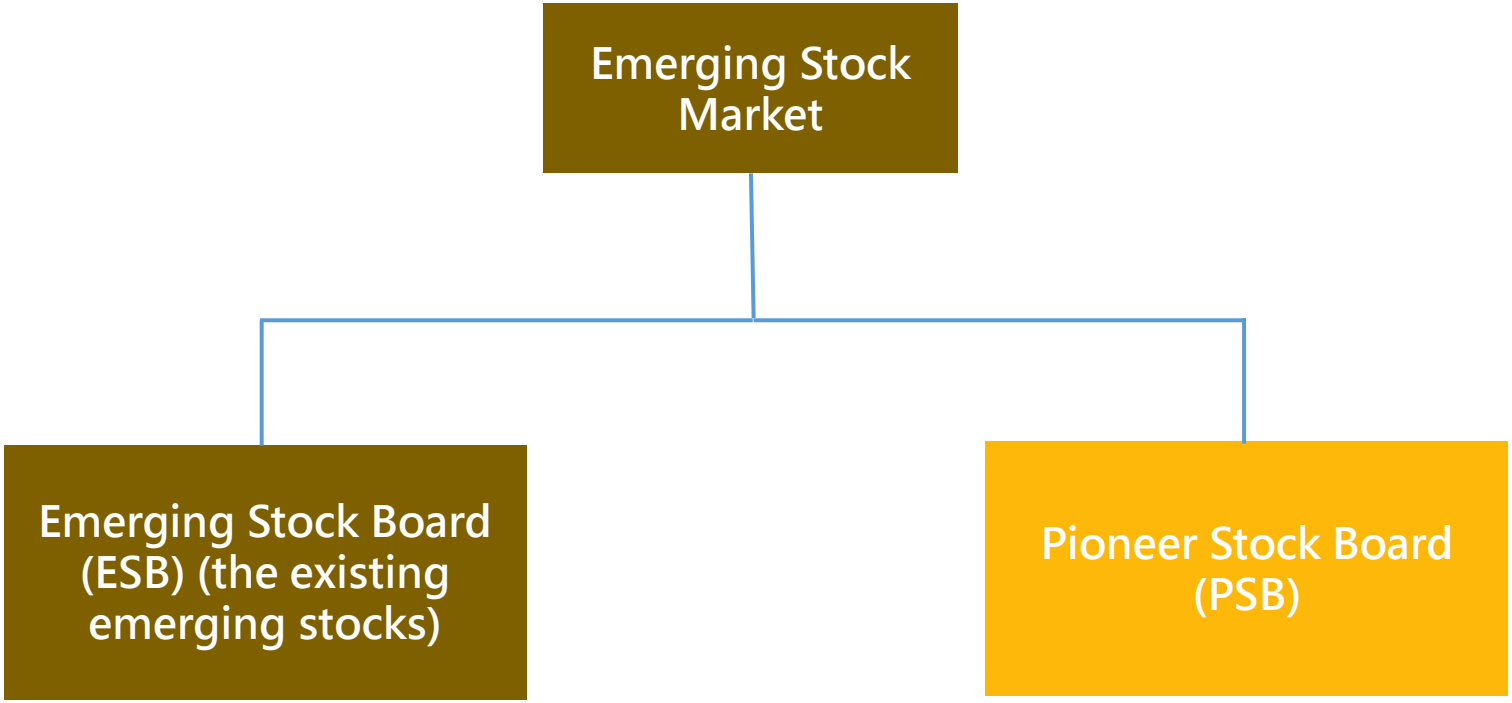
Emerging Stock Board

證券櫃檯買賣中心
Taipei Exchange

The market structure of the Emerging Stock Market



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Trading Rules

Background

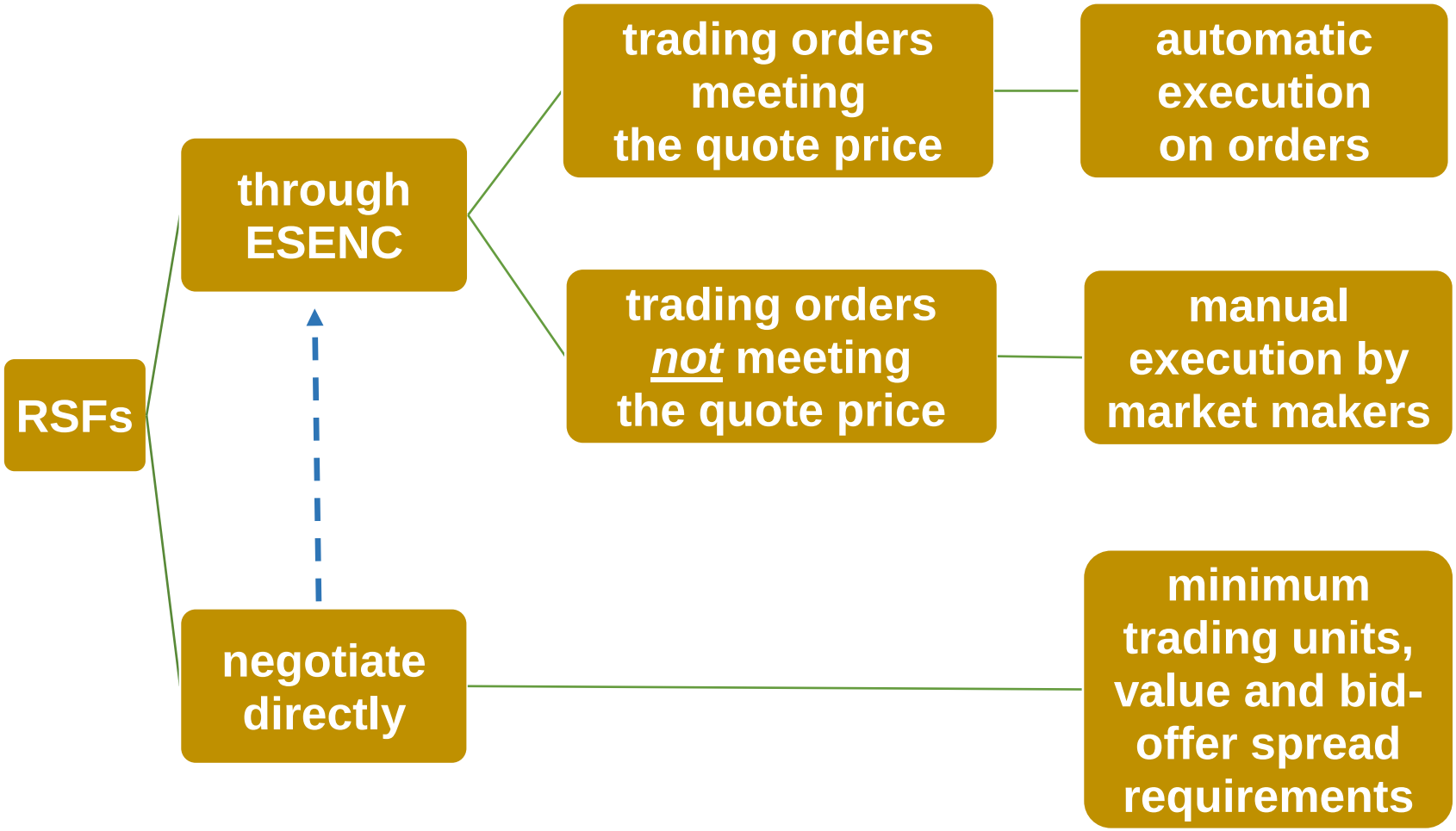
ESB is a quote driven market.

A company must be recommended by at least 2 recommending securities firms(RSFs, market makers).

Companies' prices can only be quoted by their RSFs.

In a transaction, one of the counterparties must be a market maker.

Market mechanisms



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The comparison of ESB and Main Board

	ESB	Main Board
Trading methods	1. Quote driven market	1. Order driven market
	2. Negotiate prices directly	2. Separate systems for auction, after-hours fixed-price trading, odd-lot trading and block trading
	3. Auction, after-hours fixed-price trading, odd-lot trading and block trading are not available	

The comparison of ESB and Main Board (continued)

	ESB	Main Board
Matching frequency	Real time (order activated)	Regularly (5 seconds)
Temporary trading halt	The emerging stocks whose weighted average trading price rises or falls over 50% of the previous business day's weighted average trading price*	None

The comparison of ESB and Main Board (continued)

	ESB	Main Board
Daily fluctuation limits	None	10%
Minimum trading unit	1 share	1,000 shares
Minimum price unit	0.01 NTD	Stock price dependent
Trading time	09:00 ~ 15:00	09:00 ~ 13:30

The comparison of ESB and Main Board (continued)

	ESB	Main Board
Settlement period	T+2 (regular) or T (with bilateral agreement)	T+2 with Netting
Delivery	via TDCC book-entry system	
Trading account	Use existing single trading account for TWSE Listed Stocks, TPEx Listed Stocks and Emerging Stocks	
Margin trading	No	Yes

Execution Priority for Trades Conducted Through ESENC

Trading order meeting the quote price

Bid price ≧ quoted offer price
or
Offer price ≦ quoted bid price

- Price priority principle
- Time priority principle
- The execution price is the quote price.

Trading order not meeting the quote price

Bid price < quoted offer price
or
Offer price > quoted bid price

- Market makers have no obligation to trade.
- Market makers can execute the trades by manually changing quotes or clicking the order.
- The execution price is the price clicked.
- At the time that an order is clicked, all other orders with better prices for the same security than the clicked one will be executed as well.

Recommending Securities Firms (Market Makers)

Objectives and purposes of market makers

Leverage market makers' expertise

Ensure the smooth operation of ESB

Protect investor's interest

Improve market liquidity

Market maker's main duties

Minimum level of subscription

Review of financial status

Internal operation rules comply with TPEx guidelines

Two way continuous quotes

- enter new quotes within 3 minutes
- the spread can not exceed 5% of the offer quote

Report a default of ESB stocks

- In accordance with Article 33 and 36 of Taipei Exchange Rules Governing the Trading of Emerging Stocks on the TPEx and the rules of Taiwan Depository & Clearing Corporation
- If a customer fails to settle, the securities broker shall complete the settlement for the customer and notify TPEx in writing before 10:30 a.m. of the second business day after the trade date.