

# TDCC

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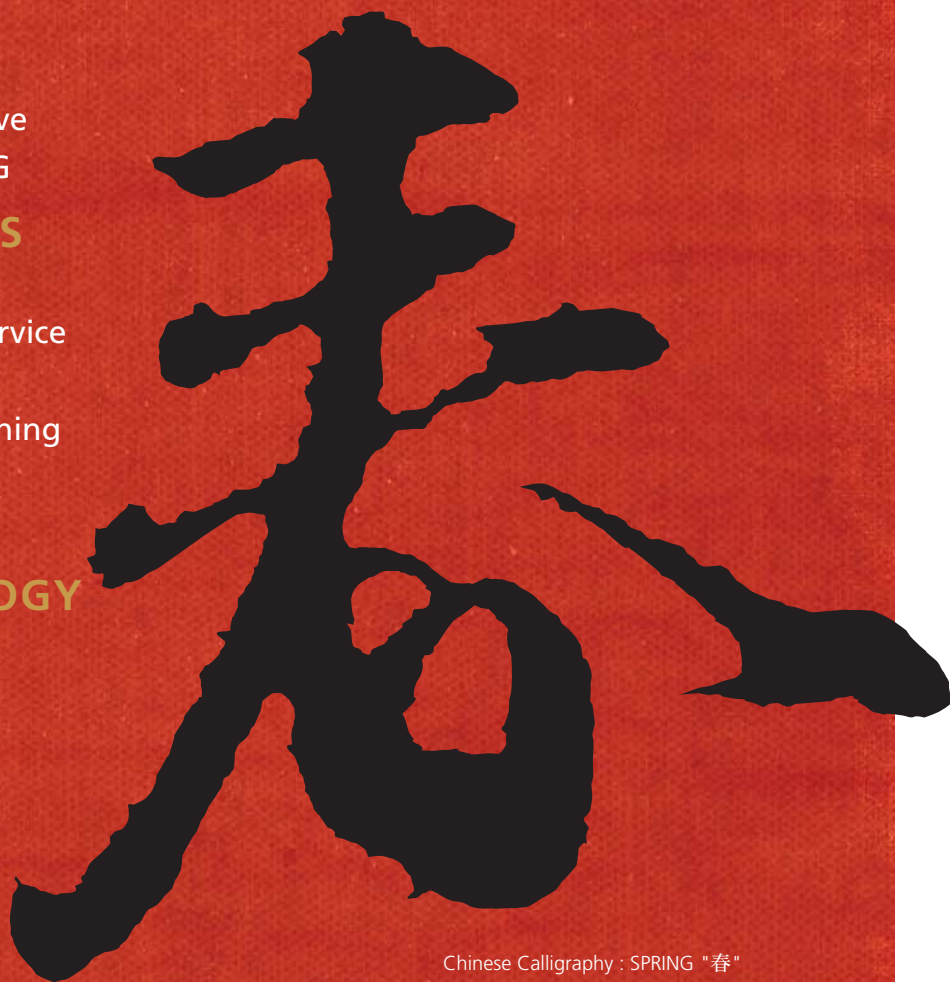
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Chinese Calligraphy : SPRING "春"

# 2017 Business Outlook

TDCC held a press conference on January 9, Chairman & CEO, Mr. Sherman Lin specified three major objectives for the company in 2017:



- (1) launching the ePassbook and an integrated digital service platform for the build-out of infrastructures for digital finance 3.0;
- (2) facilitating the issuance of dematerialized commercial paper to enhance transaction efficiency; and
- (3) helping Fund Rich Securities develop capacities for smart customer service and Big Data analysis, using the latest Fintech, in order to provide investors with more diversified fund subscription choices.



## *Special Report*

### **TDCC Elected as an Executive Committee Member of ACG**



On Dec. 4, 2016, Chairman & CEO, Mr. Sherman Lin led the delegation to Tehran, Iran attending the 20th Asia-Pacific CSD Group General Meeting, ACG 20.

The triennial election for executive committee members of ACG was held at ACG 20. With members' support, TDCC was elected as one of the three elected ACG executive committee members. The ACG executive committee serves as the crucial platform for exchange of expertise and best practices. TDCC expects to promote and expand communication on business operation, personnel training, information exchange and transnational business among more CSDs to share experiences, and facilitate development in Asian capital market.



## “ePassBook” Service

A FinTech service of ePassbook was launched on March 29. TDCC ePassbook APP integrates investors' securities passbooks and mobile devices; it also enables an investor to deal with accounts from different securities companies on a mobile phone, which makes managing finances and getting updates easier and more convenient.

In addition to offering transaction alerts and balance statements, TDCC ePassbook incorporates mobile technology and offers customized push notifications for stock affairs and market intelligence. As investors enjoy TDCC's service at the counter, they can show their mobile passbook one time password (OTP) for processing. This advancement shows TDCC's successful implementation of digital services in financial technology.



## Cross-Border Custody Service

To support the government's policy to achieve alignment with global markets and help domestic investors manage foreign investments, TDCC has made another transformation step toward globalization and launched cross-border custody service in August 2015. A localized platform with world-class functions was established to provide highly sophisticated custody, DVP settlement, account management, asset valuation and various asset services via linkages with Euroclear, Clearstream and a cooperative global custodian bank.



Currently more than 30 institutional investors opened segregated accounts through TDCC to stay in sync with the global markets, some of them are top 10 insurance companies in Taiwan. Going forward, TDCC commits to developing more value-added services to help clients reach out to global markets through its real-time, diversified, innovative and optimized services.

## Mutual Fund Service

In 2006, TDCC established Fund Processing & Settling System(FPSS) to provide brokers, investment trust companies and investment consulting companies with comprehensive services. Currently, there are about 800,000 investor accounts with 1,500,000 transactions on FPSS annually. To enhance the operation efficiency and ensure the distributors' competitiveness, TDCC has been able to credit redemption proceeds for most investors into their accounts on T+3 since January 2017. It allows investors to receive the redemption payment one or two business days earlier than they used to do.



In addition, TDCC consolidates all NTD subscription payment and negotiates with banks to acquire more favorable FX rate for investors. Moreover, viewing Competent Authority's concerns about FX market stability as well as ensuring investors' rights and interests with transparent information, TDCC has streamlined processes to complete FX operation during working hours of banks. The improving efficiency and effectiveness of mutual fund payment services do benefit all investors the most.

## Centralized AML/CFT Screening Platform

In 2018, APG will conduct the third evaluation on financial supervision, legal regime, and law enforcement authorities' compliance with anti-money laundering and countering the financing terrorism directions.

Therefore, it's an urgent task for brokers and financial institutions (hereinafter referred to as users) to abide by FATF's guidelines and take a customer risk assessment with a screening system that implements the watch list screening for the purpose of preventing money laundering and financing of terrorism.

TDCC has set up a centralized AML/CFT screening platform and purchased data of watch lists that complies with FATF's guidelines for users to conduct inquiry, comparing and screening. In addition to subsequent risk ranking, constant monitoring and alerts for suspicious transactions will be subject to the policies of each users.





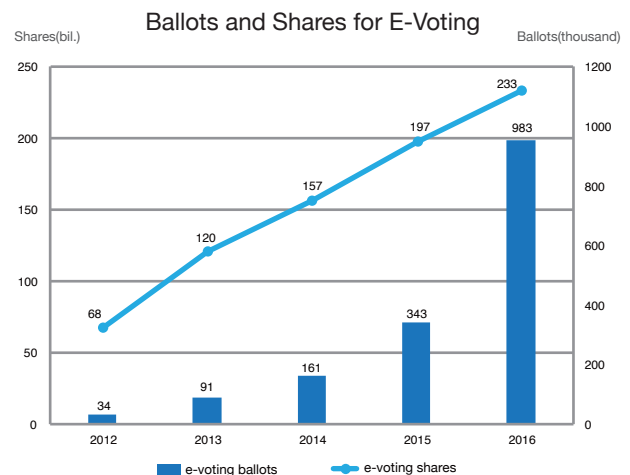
## E-Voting Service

### E-Voting Companies Now Account for 93% of the Market Cap. in Taiwan's Market

TDCC has been proactively promoting e-Voting for shareholder meetings in Taiwan, and a massive increase number of companies adopt e-Voting as a voting channel. This year, over 1,000 Taiwan's companies are expected to adopt e-Voting, which accounts for 93% of the market cap. In addition, it is the first time that the voluntary adopters are more than the mandatory companies. Both the market and issuers show great interest to STOCKVOTE owing to the successful promotion by TDCC.

### FinTech and Mobile Innovation on STOCKVOTE

Our e-Voting platform, STOCKVOTE, provides shareholders comprehensive functions, including voting, amending, withdrawal and voting record inquiries. Shareholders now can even cast their votes via STOCKVOTE website or broker's trading APP on mobile devices. Among e-Voting ballots, 364 thousand ballots placed via e-Voting APP, which accounts for 40% of the e-Voting ballots coming from retail investors. Since mobile trading trend continues to rise, we can see a promising future of STOCKVOTE.



### Compulsory E-Voting in 2018 Will Further Enhance Corporate Governance

In the new era of Taiwan's capital market, the competent authority, Financial Supervision Committee (FSC) announced that in a bid to enhance corporate governance of listed companies in Taiwan, e-Voting will be

enforced to all of the listed companies as one of the methods for executing voting rights, starting from January 1, 2018. This key policy will make shareholders cast their votes more easily and facilitate shareholder activism. Corporate governance will be further enhanced with the expanded scope of compulsory e-Voting.



## 2017 Financial Technology Carnival Debut in Taiwan

Taiwan's largest financial and technological event "2017 Financial Technology Innovation Carnival" debuted on the March 4, consisting the Heavyweight Financial Technology International Forum, the Expo and the Demo Day of Creative Entrepreneurship Team, attracting more than 2,000 participants from universities, industries & financial institutions. TDCC also actively involved and ran a booth in the event.



This event was set up to promote the use of scientific and technological innovation in the financial sector, assist the development of financial technology, and foster financial services talents. We believe the event would bring Taiwan's abundant financial technology innovation energy together, effectively converge, and reach the domestic FinTech industry development consensus.

## Data Protection and Backup Facilities

TDCC's main computer center was located in Taipei City and remote backup system was placed at Chunghwa Telecom Co. Ltd., (100 kilometers away from Taipei city). Concerning specific requirements and desired recovery speeds for different business operation units, TDCC not only built up the onsite backup systems but also the remote backup facility to ensure daily operations. These different levels of storage facility can protect investors' accounts information from fire, water, theft, or earthquake damage.

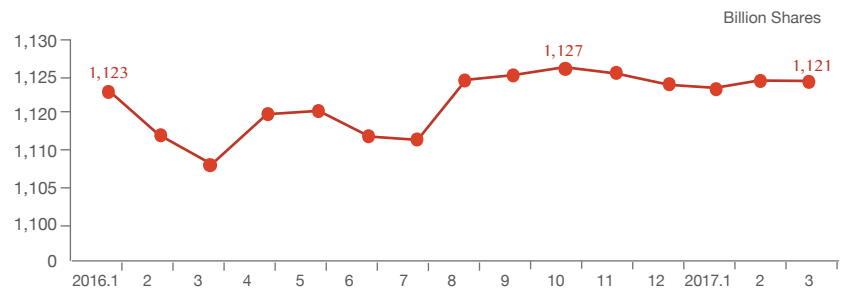
Since 2005, TDCC had established remote backup system over Dense Wavelength Division Multiplexing (DWDM)

network. The system allows real-time synchronous data transfer between the operation mainframe and the remote backup center.

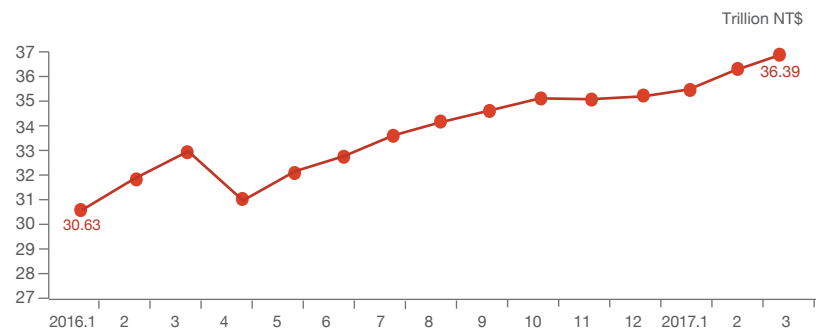
To fully guarantee the security of investor assets, TDCC in 2007 set up an offshore remote backup device - the permanent customer data storage system (black box). If, under extreme circumstances, both main servers and backup center become inoperative, data stored in the "black box" could be retrieved from the data center overseas. The hardcopy information could then be sent back to Taiwan to provide account information of investors.

# Statistics

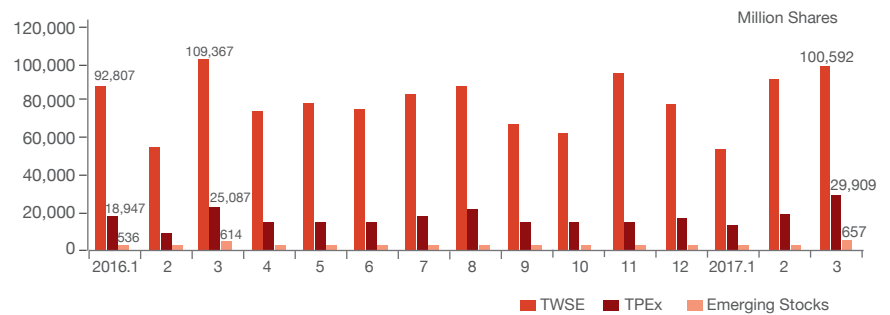
Equities in Custody  
(Shares)



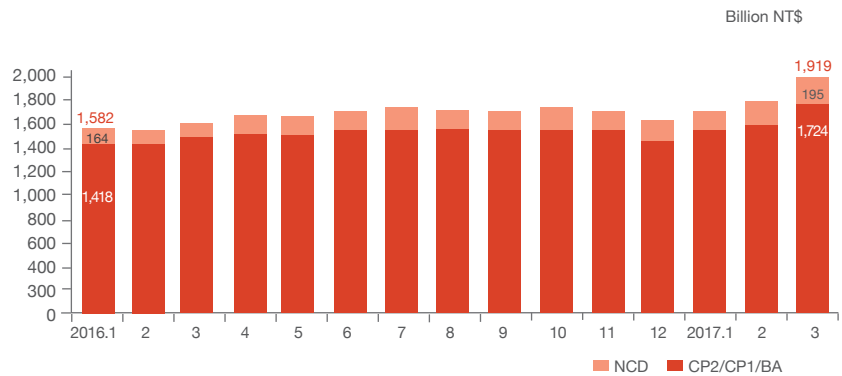
Equities in Custody  
(Market Capitalization)



Book-Entry Operations  
(Shares)

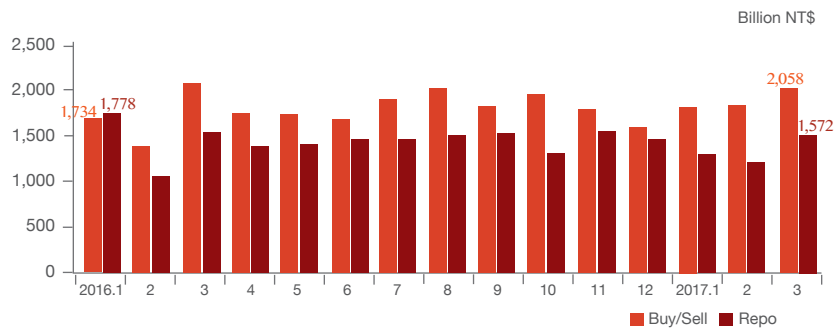


Short-Term  
Bills in Custody

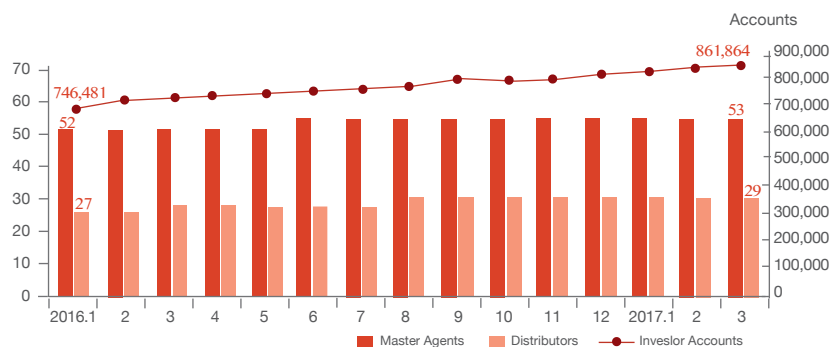




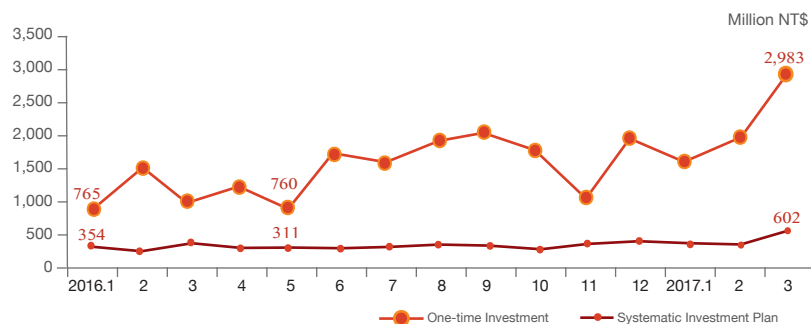
## Secondary Market Clearing & Settlement of Short-Term Bills



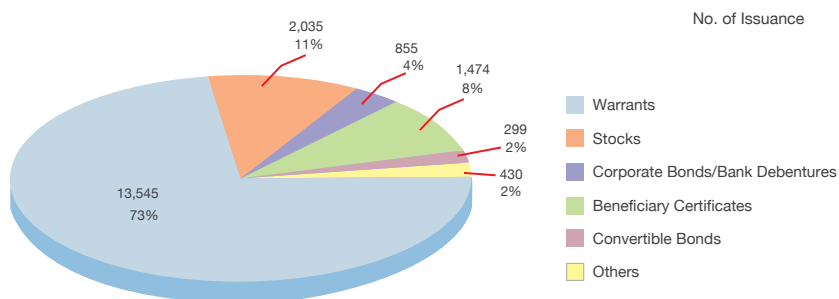
## Offshore Fund Operations



## Offshore Fund Subscriptions



## Registration of Dematerialized Securities



# Stock Museum

## Recent Renovation



The Financial Supervisory Commission had appointed TDCC to push for securities dematerialization in order to reduce the cost of issuers, improve operating efficiency of the market, protect the environment, and most importantly, to align with the global market trend. TDCC, making Taiwan the 13th country that fully replaced paper-form securities with book-entry among the world's top 25 economies by market value.

As paper-form securities have become history after the achievement of full dematerialization on July 29, 2011, TDCC hopes to preserve and share with the general public the materials that documented the development of Taiwan's securities industry. TDCC established a well-planned stock museum and operated on December 24, 2012. The museum offers free of charge entry with an aim to promote financial knowledge and education. As the end of 2016, the museum had received over 82,000 visitors; 80% of which were school teachers and students at various levels. By showing its rich collection and cultural studies materials at the Taiwan Stock Museum, TDCC is proud to contribute to the promotion of financial education in Taiwan.

Some of the exhibition rooms are under renovation or expansion as TDCC wants to diversify the collections. The overhauled exhibition rooms have been re-opened to the public since March 1, 2017. Moreover, laying out a humanoid robot, Pepper, at museum as a docent. It provides the services of a receptionist, a guide which helps guests with interactive amusements. We welcome you to come and take a look.





## Gallery

On Dec. 4, 2016, Chairman & CEO, Mr. Sherman Lin led the delegation to Tehran, Iran for the 20th Asia-Pacific CSD Group General Meeting (ACG20). TDCC signed MOU with CSDI for wider sharing of both business experiences. During the meeting, TDCC served as a speaker to give a presentation on Taiwan capital market and business development, and joined the CISO forum established by NSDL.



President Director of KSEI, Mrs. Friderica Widyasari Dewi, led delegation from KSEI, PT Kliring Penjaminan Efek Indonesia (KPEI), Public Offering Company, custodian banks and institutes such as securities association to visit Mr. Sherman Lin to observe and learn from the promotion and achievement of e-voting on Oct. 19, 2016.



Chairman & CEO, Mr. Sherman Lin, led delegation to attend International Investment Funds Association meeting in Osaka, Japan and served as a keynote speaker, sharing experience of applying Fintech on mutual fund operation platform on Oct. 25, 2016.



Managing Director of KSD, Mr. Seog Jae Kim, led delegation from KSD to visit TDCC on Mar. 14, 2017. Mr. Kim shared KSD's experience of international business development and mutual collaboration with ACG members. Both parties also discussed recent business and the operation of ACG, seeking more opportunities for future cooperation.





TAIWAN DEPOSITORY & CLEARING CORPORATION

臺灣集中保管結算所

11F, 363 Fushin North Road, Taipei, Taiwan, R.O.C.

T. 886 2 2719 5805