

# TDCC

2019 SUMMER NEWSLETTER  
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## TDCC and ISS Announce Vote Delivery Partnership

Taiwan Depository & Clearing Corporation (TDCC) and Institutional Shareholder Services Inc. (ISS), announced a partnership on May 30 to implement seamless delivery of ISS client voting instructions directly to the TDCC.

Under the new partnership, TDCC's STOCKVOTE e-voting system will connect directly to ISS' Global Proxy Distribution platform to receive voting instructions from ISS' global custodian clients. ISS is the leading provider of end-to-end proxy voting solutions to the global financial community.

Previously, local custodians in Taiwan acted as intermediaries to register votes lodged by ISS' global custodian clients and others, but from today, they can simply receive ISS client vote instructions for Taiwan company portfolio holdings via Straight Through Processing (STP). This will enable local custodians to better meet voting deadlines and create a more seamless voting process. TDCC Chairman & CEO Sherman Lin said, "We are delighted to partner with ISS to expand institutional investor services. In 2018, all listed companies in Taiwan have adopted TDCC's STOCKVOTE for their shareholder meetings. The partnership with ISS enables us to expand STP service coverage for more institutional investors, increasing cross-border voting efficiency and convenience. We also believe working with ISS will bring benefits to foreign investors and is a critical step in improving corporate governance in Taiwan."

As a result of the new partnership, local custodians in Taiwan, in conjunction with their global parents, can now turn to ISS to deliver votes directly to the TDCC.

"ISS is pleased to partner with the TDCC in furtherance of our objective to streamline the voting process and to ensure timely delivery of voting instructions for our clients," said Lorraine Kelly, head of ISS' Global Proxy Distribution business. "All global custodian clients of ISS with exposure to the Taiwanese market can benefit from this new arrangement."

## “LOHAS for All, Retirement with Joy” Forum & Expo Grandly Take Place

Organized by TDCC, Securities Investment Trust & Consulting Association (SITCA), Securities and Futures Institute (SFI), and implemented by FundRich, “ReLife Project,” the experimental project for all citizens’ self pension saving investment has won widespread recognition from over 64,000 people. This project highlights the public’s undivided attention to retirement financial planning. To further implement education for retirement financial preparation and raise more people’s understanding of the ReLife project, the organizers and implementers of this project held the “LOHAS for All, Retirement with Joy” Forum & Expo from June 14 to June 16 in Taipei. There were entertainment facilities and games such as interactive robot-advisor and retirement lucky wheel, providing the general public an idea for their start on retirement preparation.

As the average life expectancy of Taiwanese people has shown an upward trend, financial planning after retirement has become increasingly important. Both longevity and well-being are the primary objectives of retirement planning for today’s society. Financial Supervisory Commission (FSC) Chairman Mr. Wellington Koo and TDCC Chairman & CEO Mr. Sherman Lin were invited to join and promote the correct financial planning concept for retirement preparation.

In addition to the “ReLife” zone at the event, there were booths from 12 fund companies participating to make collaborative efforts to promote financial concepts for retirement preparation such as systematic monthly investments. Through games like challenge passing, bonus points collecting, and lucky draw, people could gain more retirement-related information in hopes of living a more enjoyable life after retirement.

For early planning for life after retirement, along with the expo, a LOHAS retirement forum was held, with participation of experts and professionals who shared retirement financial planning experiences, shifts in roles and mindset for retirement, interest cultivation, and well-being through diet and exercise, helping people make better preparation for their retirement.



## **ETN Book-entry Operations Available for Securities Firms**

Answering to the quests of investors for more diversified products, and supporting Securities Firms in expanding their services as well as in cultivating more talents in the finance sector, the Financial Supervisory Commission made public of the “Securities Firms Exchange Traded Note (ETN) Book-Entry Operations Guidelines” on June 28, 2018. The ETN can now be issued and traded in both the stock exchange and the over-the-counter markets.

Providing better settlements and ETN trading services in the both markets forth-mentioned, TDCC has amended the regulatory and pricing requirements accordingly; TDCC also provides Book Entry operation such as clearing and settlement, registration, subscription, sellback, fund maturity and early redemption. By the end of April 2019, there have been 10 ETNs from 9 Securities Firms listing and trading in markets with the trading units calculated at 200 million and the trading amount reached NT\$ 2.2 Billion. Investors can simply make use of their current trading and book-entry accounts to buy and sell the ETN for regular operations. However, the ETN transactions of trading, subscription and sellback are currently not available for the foreign investors.

## **New Value-added Features of ePASSBOOK on Fund**

The more advanced ePASSBOOK 2.0 APP by TDCC, available since Nov. 2018, has been successfully accepted by the investors; more than 600,000 users have been taking great advantages of this convenient APP thus far. In order to provide ePASSBOOK users with more diversified services, the Domestic Mutual Funds inquiries with a user-friendly interface, a new value-added feature, is now accessible for investors to survey investment positions of Securities and Funds, and to allocate and distribute their assets instantaneously.

TDCC is the organization for Domestic Mutual Fund Beneficiary Certificate Registrations. With the ePASSBOOK APP, investors who make direct purchases with the local fund houses are now able to inquire about domestic mutual funds. All required investment information can be electronically managed in the palm of your hand. What’s more, this valued-added service in the ePASSBOOK APP also comes with an additional “Fund Information” feature. All the essential information: the most updated NAVs (net asset value) and the dividends of funds are made transparent for further queries. Meanwhile, “Fund Information” adds the data of the prospective funds to the investors’ portfolios while comparing multiple funds in the same period, so as to monitor the market trends at any instant.

In addition to advising and assisting investors to look for the funds in their watchlist, the ePASSBOOK 2.0 can also send out instant push notifications for public announcements and NAVs of their funds. It’s believed that ePASSBOOK APP is truly the favorable tool for all.

## **TDCC Applies Big Data Analysis to RegTech in Short-term Bills Market**

In responding to the revolutionary FinTech trend of Big Data Analysis and AI, TDCC takes the initiative to incorporate a digitizing transformation, induce the technology innovations and mature a better electronic book-transfer climate. Advancing from the existing success of ePASSBOOK and STOCKVOTE, TDCC is instituting the finance monitoring RegTech service for the Authority, which is based on Big Data Analysis technologies.

As implementing the short-term bills centralized depository, clearing, and settlements in Taiwan, TDCC provides services for book-entry issuing and a Delivery-Versus-Payment mechanism for the market. In accordance with the regulatory demands by the Banking Bureau of Financial Supervisory Commission (FSC) to monitor the short-term bills market, TDCC is planning to take full advantage of the Macro data analysis tools to analyze the past five years' daily transactions data, through data defining, data cleansing and privacy encryption, and the application of the most innovative business intelligence technologies to construct an interactive and multi-dimension visual monitoring platform replacing the conventional one-dimension forms and numbers, so that the market trends and momentums can be effectively and promptly reported. All the related data can now be accessed in a flash, and the bills market abnormalities, if any, can now be instantly detected and proactively reacted upon.

TDCC is comprehensively utilizing the current financial infrastructures of short-term bills, cross-analyzing all information acquisitions and developing the multi-level price-volume information, based on transaction types, bill types, market participants, rates and durations. TDCC has successfully reconstructed the value of data and established some algorithms to get an insight of the money market trends and behavioral patterns of the market participants. Hence, the authority can instantaneously stay on top of the bills finance market and provide thorough regulatory information.

## The ReLife Project - Self Pension Saving Investment

A press conference held on April 11th denoted the beginning of the registration process for the Experimental Project for Self Pension Saving Investment. This project focuses on a long term, systematic investment plan that helps the general public prepare for their retirements. The registration proceeding began with Mr. Wellington Koo, Chairman of Financial Supervisory Commission (FSC), pressing the “ignition” button thus registering himself and becoming the first participant of this project. He also addressed the importance of early planning for retirements. This project was given a Chinese alias “Hao Xun Tuae”, which literally means “an enjoyable retirement” with a homophone of “the desire to retire”, reflecting the heartfelt aspirations of the salaried employees. The ReLife Project encourages the general public to get an early start and finance their retirement plan so as to have a delightful life after retirement.

Implemented by FundRich Securities Co. Ltd, the largest funds trading platform in Taiwan, The ReLife Project was readied by a joint effort from Securities Investment Trust & Consulting Association, Securities & Futures Institute and TDCC. This project invites many professionals from various fields, including industry experts, officers and scholars, to assemble a consulting team that collaborates with other international teams to formulate a set of conscientious selecting processes to evaluate the participated fund houses as well as their fund investment products. ReLife Project is well known for its 6 main features: “Nationwide Participation”, “Systematic Investment Plan”, “Selection by Experts”, “Free of Sales Charges”, “Low Management Fee,” and “Exclusive within a Limited Time”.

The launch of ReLife Project via the FundRich platform is set in late July; it categorizes funds into the proactive, modest and prudent Target Risk Fund of Funds and the 10, 20 and 30-year Target Date Fund of Funds that are based on the various time frames for expected retirements. Within a mere 24-hour period, the number of registered investors reached an impressive 10,000 mark and surged to more than 64,000 by mid-June. This illustrates that a long term, systematic disciplined investment as a way to prepare for retirement is well accepted in Taiwan.



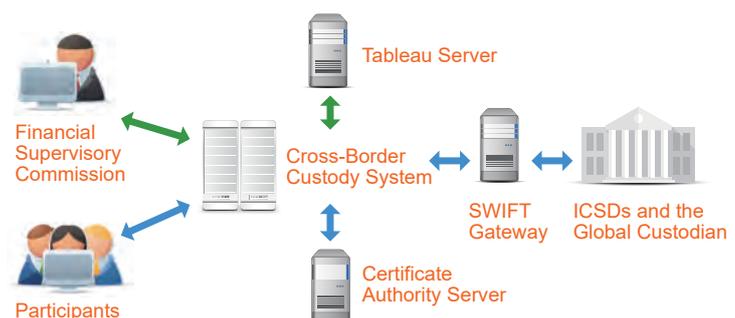
## Overview of TDCC's Cross-border Custody System

In light of the policies of competent authorities and the need of professional entities to invest in foreign securities, in 2015, TDCC engaged in the build-out of a cross-border custody system, and now is in collaboration with ICSDs, Euroclear and Clearstream, and one custodian bank, J.P. Morgan. The system transfers information electronically through the SWIFT network to process the settlement and custody of foreign securities for professional entities, including insurers, banks, fixed income and bill traders and proprietary traders.

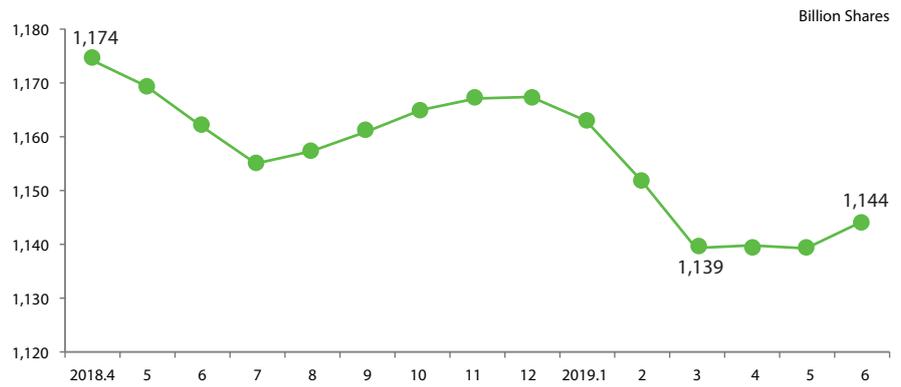
Features of the cross-border custody system are as follows:

1. High compatibility: the system design is compatible with different protocols across the world, and supports multiple markets, products and currencies at the same time. Book entry updates are carried out according to the regulations of CSDs worldwide.
2. Management by parameters: trading hours, closing days, payment and securities settlement cycles, corporate actions, operating system time are all valid management parameters, making the platform scalable and responsive to market events.
3. Function modules: the system provides highly reusable function modules, such as delivery and settlement, inventory management, message reminder, reviewing process and file management for different markets and parameter settings.
4. Flexibility in function modules: the corporate action module can rearrange the schedule of upcoming events by incorporating exceptions, making the system more flexible.
5. Automatic statement matching: inventories are updated at the end of every trading day. Telegrams of account statements from depositories and the custodian bank are also matched and verified automatically for daily settlement.
6. Straight-through message delivery: all transactions processed by the system are converted into SWIFT telegrams and sent to international depositories and the custodian bank. Messages of counterpart response and corporate actions are also received and made available to participating institutions on the system instantaneously.
7. Real-time notification: reminders for things to do and event follow-ups are sent to related parties in a real-time fashion. The system can also send notifications of abnormal events, corporate actions, deadlines and expiry to designated groups upon prior setting.
8. Multiple Communication protocol: the system supports multiple communications protocols and can connect with the systems of external organizations to transfer information.
9. Attention to information safety: participating institutions may log into the system via the internet 24-7 with a certificate for ID verification and non-repudiation of transactions.
10. Versatile output: the system can compile securities held by insurance companies and produce various reports with technical analytical notes for the supervision of the Insurance Bureau of Financial Supervisory Commission. An interactive search engine allows the Insurance Bureau to access relevant statistics of international bonds traded by Taiwanese insurers without time constraints.

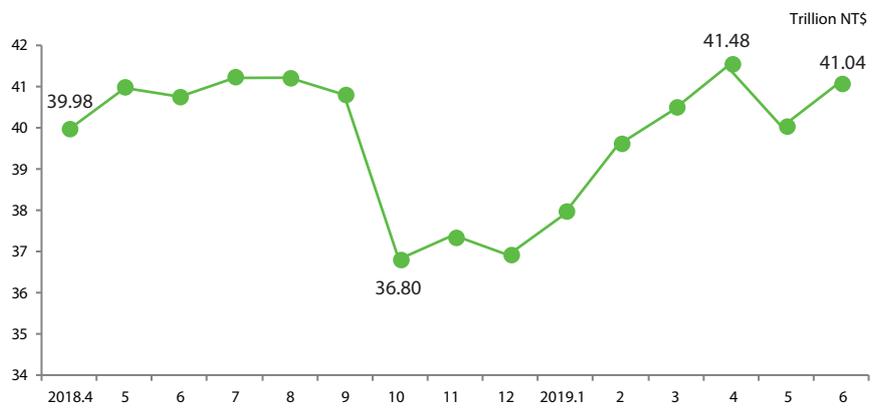
TDCC will continue to upgrade the system as we provide services to more institutions and incorporate more investment instruments and markets into the system to make sure the quality of our cross-border custody services live up to customers' expectations and that we really help customers achieve better management of their foreign assets.



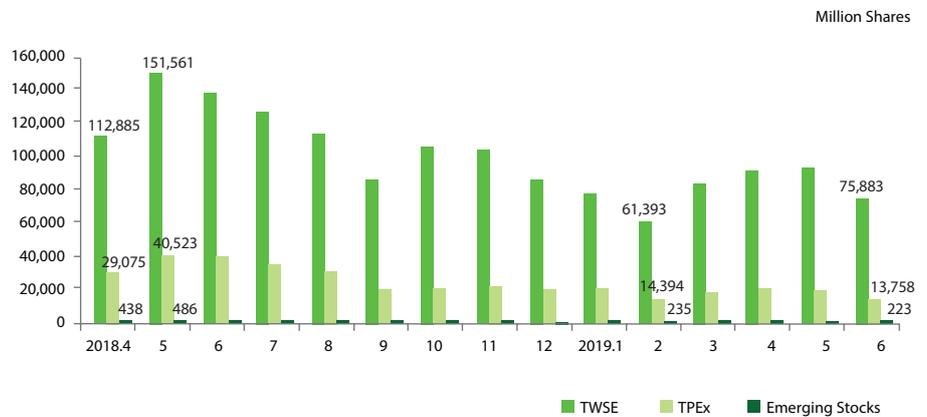
Equities in Custody (Shares)



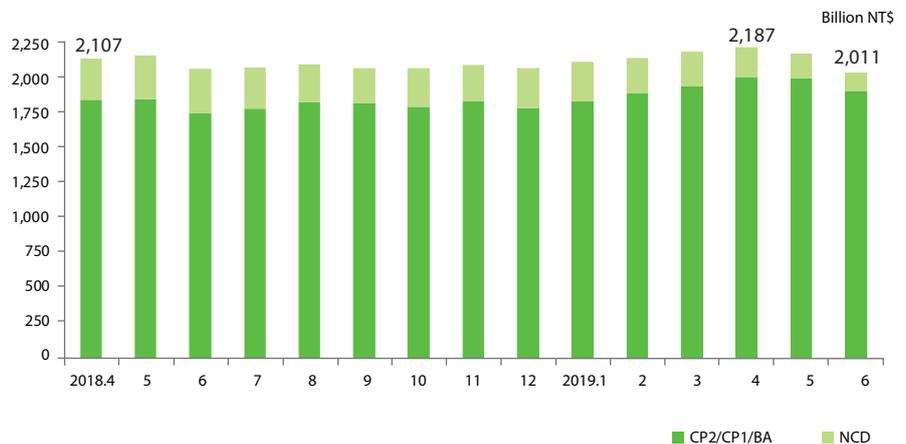
Equities in Custody (Market Capitalization)



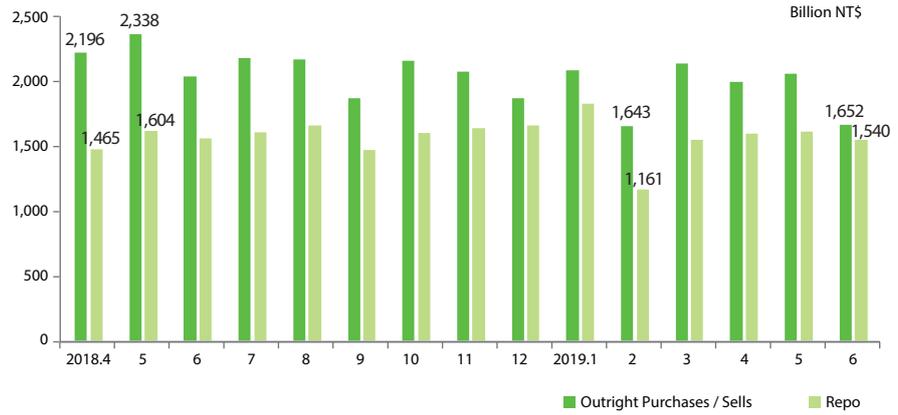
Book-Entry Operations (Shares)



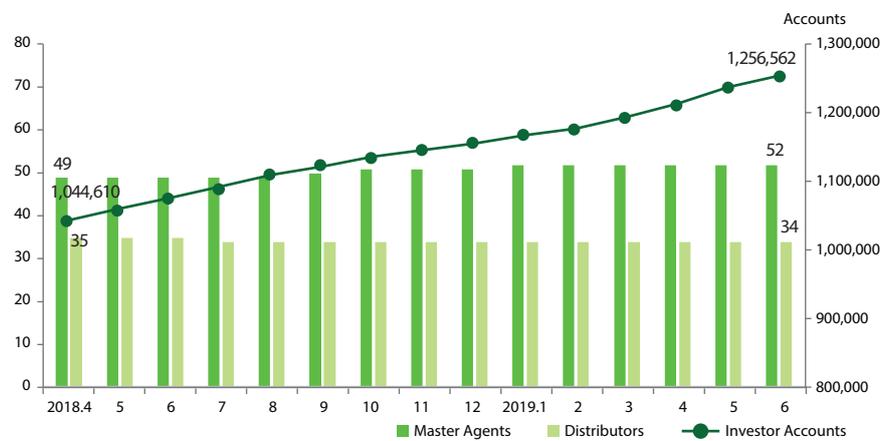
Short-Term Bills in Custody



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



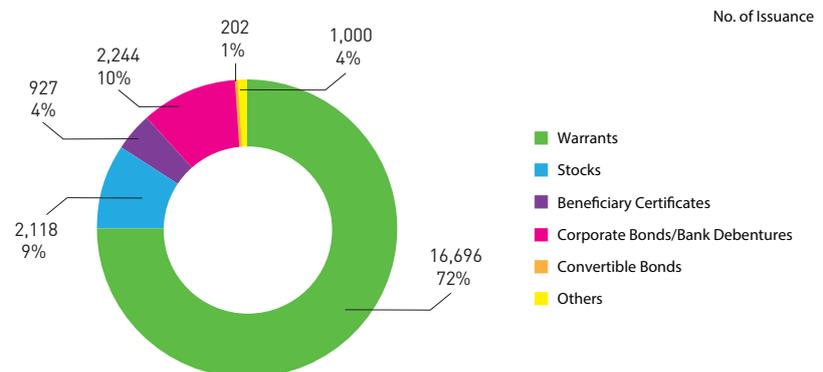
### Offshore Fund Operations



### Offshore Fund Subscriptions



### Registration of Dematerialized Securities



## Taiwan Securities and Futures Virtual Museum Completes the Transition Hall Renovations of the 360° Online Stock Museum

To diversify the exhibitions in the Taiwan Stock Museum, and intensify the financial literacy, TDCC has completed the remodeling and renovation of the interactive theater in the Transition Hall of Taiwan Stock Museum. As of November 2018, three new unique exhibition themes are ready for the public, including interactive films on what mutual funds are and how fund investments are carried out, the fund investment stimulation game “Fantasy Cube”, and FinTech corner.

In responding to the digital finance technology innovation trend, the vivid, vivacious interactive AR technology was incorporated in the Fintech corner. All visitors now can experience first hand convenience of the innovative APPs of TDCC, ePASSBOOK and STOCKVOTE.

The contents in the Taiwan Securities and Futures Virtual Museum website have been updated in correlation with the completions of the renovations of the Transition Hall in the Taiwan Stock Museum. The themes and scenarios of the interactive theater have been enhanced during the same period as well. The investors can not only enjoy a wonderful and informative tour via AR cinematography, they can also appreciate the ever-so realistic on-line tours without the strains of time and physical locations.





Chairman & CEO Mr. Sherman Lin (right 2) attended the 44th IOSCO Annual Meeting on 13-17 May 2019 in Sydney, Australia, and took a group photo with Chairman of FSC Mr. Wellington L. Koo (middle), Ms. Yung-Hsin Wang, Director-General, Securities and Futures Bureau, FSC (right 3), and other participants.

TDCC Chairman & CEO Mr. Sherman Lin (middle) leads the TDCC colleagues to participate in the 2019 Financial Services Charitable Carnival, and interacts with the public to experience digital financial services on June 29, 2019.



President Mr. Ching-Li Meng (left 8) leads managements to attend Nine Schools Joint Concert in the Hualien County Indigenous Museum on 2 June, 2019. These schools were sponsored by TDCC in music and arts segments over a long period of time.



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